

National Federation of Municipal Analysts

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Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Via Electronic Mail

Dear Kit:

Thank you for the invitation to have the National Federation of Municipal Analysts participate in the upcoming MSRB roundtable on disclosure. We consider these meetings to be an excellent opportunity for market participants to foster improved voluntary guidelines for municipal market disclosure and look forward to our discussions.

A dizzying number of issues need to be considered to improve the state of disclosure. In general it is important to understand that **the ideal disclosure system would provide for the voluntary release of information to both investors and potential investors at no cost.** In all cases the timeliness and quality of the information must be considered. In the primary market, preliminary official statements should include sufficient information for complete analysis and be distributed to allow ample time for review. In the secondary market, continuing disclosure information should be available to the market more frequently and quickly than is currently the case. In many sectors, quarterly operating results should be released within 60 days and annual audits within 120 days.

Another area in need of improvement is the repository system created following the 1994 amendments to 15c2-12. We feel that the NRMSIRs have not provided for an orderly distribution of information. The entire system should be critically re-evaluated. Furthermore, the merit of a single, centralized repository bears serious consideration. At a minimum, the creation of a centralized index of information on file with the various NRMSIRs would improve efficiency.

NFMA Recommended Best Practices:

We feel the recommended best practice in disclosure will always be the one that provides a steady flow of timely information from borrowers to the market. It has been the long-held position of the NFMA that disclosure requirements are not the same for the various sectors of the market. With this in mind, NFMA Recommended Best Practices have been released in final or draft form for housing, land secured, hospitals, higher education, solid waste and general obligation bonds. In the months ahead, Recommended Best Practices will be drafted for long-term care and tax increment bonds as well as short term and variable rate obligations. This sector approach to disclosure should be continued and expanded. We feel the NFMA's Recommended Best Practices provide an excellent basis for the desired content of any disclosure system. Issuers should be encouraged to participate in the drafting and ongoing review of the NFMA's Recommended Best Practices.



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Investor Relations Programs:

Borrowers should initiate investor relations programs to provide information to investors and potential investors. Investor relations would include the organization of periodic conference calls for investors (preferably quarterly for many sectors) site tours and meetings. While many large issuers have begun to establish such programs, even small issuers should establish a designated contact for continuing disclosure. Smaller issuers could consider contracting with third parties to provide information to the market.

Education:

Municipal market participants need to promote the benefits and rewards of adequate primary and secondary market disclosure. Put another way, borrowers must understand that poor disclosure can impede access to the capital markets and result in increased borrowing costs. An education program should be undertaken to promote improved disclosure. Particular emphasis should be given to small, infrequent issuers. This effort is the first step towards improving compliance. The various trade organizations representing issuers must aggressively promote the importance of disclosure and the risks associated with non-compliance.

Web Sites:

The use of web sites should be encouraged as a low cost and timely way to disseminate information. Issuers could make information available in segregated areas for investors and potential investors. Some of the information to be included would be annual and quarterly operating results, demographic and demand information and links to offering documents. Electronic dissemination of offering documents could be greatly expanded. Preliminary and final official statements should be available as an alternative to paper documents.

Trustees:

The role of the trustee in disclosure could be improved and expanded. Trustees should be able to release fund balance information, material event notices and enhancement information as well as acknowledge the timely receipt of principal and interest as requested.

CUSIP Numbers:

CUSIP numbers should be included in final official statements and all secondary market reports. Additionally, any repository or central index should identify issues by CUSIP. A repository or central index should cross-reference bond issues by name.

Sincerely,

Alan Polsky
NFMA Chairman

