



July 13, 2015

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314-3412

Re: MSRB Regulatory Notice 2015-08

Dear Mr. Smith:

The National Federation of Municipal Analysts (NFMA) appreciates the opportunity to respond to the Municipal Securities Rulemaking Board (MSRB or Board) request for comments on draft amendments to Rule A-3 modifying the standard of independence for the one public Board member.

The NFMA is a not-for-profit association with nearly 1,400 members throughout the United States, and is primarily a volunteer-run organization. The NFMA's goals are to promote professionalism in municipal credit analysis, to conduct educational programs for members and other interested parties, to promote better disclosure by issuers and to advocate for good practices in the municipal bond marketplace. The NFMA seeks to educate its members, and by extension, the public at large, about municipal bonds. Annual conferences are open to anyone wishing to attend and our *Recommended Best Practices in Disclosure* and *White Papers* are available via our website, www.nfma.org.

The NFMA's membership is diverse, with individuals who work for mutual funds, trust banks, wealth management companies, rating agencies, credit providers, independent research groups and broker-dealer firms. NFMA membership is open to all analysts because we believe we can learn from one another and share a common interest in promoting good practices in the marketplace. The NFMA is not an industry interest group and does no political lobbying. NFMA board members, although generally employed within the financial services industry, do not represent their firms while they serve.

The NFMA supports the above-referenced proposal to provide an alternative standard of independence for prospective Board members because we believe that this would broaden the pool of applicants who would be eligible. We also believe that it would give a voice to a significant segment of the municipal bond market, primarily analysts and portfolio managers employed by mutual funds, who are largely ineligible for membership consideration under

existing rules. We believe that this rule should not only apply to the one investor position allocated under Dodd-Frank, but to any investor seeking to apply for membership on the Board.

However, we believe that this proposal does not go far enough to ensure that both institutional and retail investors are adequately represented on the Board. The allocation of one investor to serve as a Public Representative is woefully inadequate given the significant role that investors play in the municipal bond market. We note that there is the minimum one investor on the current Board, a reduction from the two who served on previous Boards. We believe that three representatives are necessary to provide adequate representation for the wide range of municipal market investors, including municipal bond mutual funds, money market funds, wealth management firms and retail investors.

The MSRB requests comment on the current three-year term structure. We understand the concern about the limited nature of a three-year term, but feel that a six-year or longer term would not allow the opportunity for a larger pool of applicants, with fresh ideas, to serve on the Board. Any effort to lengthen the term structure should be limited in nature, subject to term limits and prohibit any members from serving on the Board again for a period of at least five years.

With respect to publishing applicants' names after final selection, we believe that transparency and full disclosure are necessary components of this process. We do not see evidence from past application processes that this requirement limits interest in those seeking Board membership. Consideration could be given as to whether or not the list of applicants should be divulged in conjunction with the announcement for new Board members or be made available elsewhere on the MSRB website.

The NFMA is of the opinion that the proposed rule change to broaden investor eligibility for Board membership is a positive move and should be extended to all investors applying for Board membership. We also feel that a proposal to have a minimum of three investor representatives on the Board would be more appropriate, given the diversity of institutional and retail investors present in the municipal marketplace. We do not see any need to significantly lengthen the three-year membership term; however, modest extensions coupled with term limits (both consecutive and non-consecutive) may be appropriate. We also support the proposal that the names of all Board applicants be disclosed, but believe that there may be alternative approaches to implementing this policy.

Sincerely,

/s/

Lisa S. Good
Executive Director
NFMA

