



# National Federation of Municipal Analysts

## TOP 25 REASONS TO DISCLOSE INFORMATION

**Benefits of Disclosure:** Complete, accurate and timely information is essential to the role performed by municipal analysts in evaluating credit risk. The NFMA strongly believes it is in the best interest of all governmental issuers to disclose all material financial information and operating data to investors, and to do so on a regular basis. As demonstrated throughout all capital markets, issuers that disclose information on a fair and regular basis secure better market rates.

Set forth below are leading reasons why it is highly advantageous for all governmental issuers to provide complete, timely and accurate information to municipal analysts and investors.<sup>1</sup>

### **Market Factors**

- Improved disclosure elicits wider bidding which extends liquidity and reduces borrowing costs, particularly in a rising interest rate environment
- Good disclosure facilitates investor relations and improves market access
- Good disclosure is consistent with issuer practices in all capital markets
- Accurate, timely and complete disclosure greatly lessens the need for regulation
- Good disclosure supports secondary market trading prices of related securities by broadening the underlying investor base
- Financial disclosure serves as a critical internal guide to promote effective financial management
- Reluctance to disclose erodes investor confidence in management
- Collectively, improved municipal disclosure strengthens the global competitive position of municipal bonds as an asset class
- Good disclosure serves as an effective compass to guide portfolio management which leads to improved demand for bonds and better borrowing terms
- Good disclosure promotes comparative analysis of governmental issuers which facilitates creation of peer group medians and benchmarks
- If favorable information exists, good disclosure amplifies a positive credit profile that will improve trading value and overall market access
- If unfavorable information exists, good disclosure demonstrates the full extent of management's grasp of financial problems and its ability to implement

remedial action

- Good disclosure is demonstrative of management sophistication and a pro-active approach to financial administration

### **Legal Factors**

- Clear, accurate and timely disclosure promotes the efficient allocation of capital, a basic objective of our nation's securities markets
- Contrary to prior legal myth, issuers are not prevented from providing information beyond the bare minimum required by SEC Rule 15c2-1
- Clear and accurate disclosure promotes compliance with SEC Rule 10(b)(5)
- Clear and accurate disclosure promotes compliance with SEC Rule 15c2-12

### **Economic Factors**

- Used in conjunction with a FAQ file <sup>2</sup> written disclosure increases productivity
- Good disclosure is wholly consistent with the market's expectations about the increased availability of information driven by the growth of the Internet
- Good disclosure is wholly consistent with the market's expectations about the ongoing evolution of good governance standards.

### **Administrative Factors**

- Periodic disclosure is emblematic of responsible financial management
- Good disclosure promotes greater accountability and public trust in government
- Written disclosure promotes even-handed provision of information to all
- It makes considerable sense to leverage information already on tap to derive multiple benefits that attend good disclosure practices
- Good disclosure promotes a more informed citizenry which is essential to the effective management of democratic government

### **Notes**

1. Derived from NFMA Position Paper on NASACT Proposal on Voluntary Interim Disclosure issued on October 27, 2004

2. FAQ stands for 'frequently asked questions'. Development of a FAQ file enables financial managers to distill answers to frequently asked questions into prepared text to avoid the need to provide answers to recurring questions over and over again.