August 8, 2012

NFMA RELEASES RECOMMENDED BEST PRACTICES PAPER ON VARIABLE RATE DEMAND AND SHORT-TERM SECURITIES

Contact: Lisa Good, NFMA Executive Director
412-341-4898

The National Federation of Municipal Analysts ("NFMA") announced today that it has released the Recommended Best Practices in Disclosure for Variable Rate Demand and Short-Term Securities. A draft of this document was released for public comment on October 11, 2011. The document released today reflects changes made in response to comments received from individuals and representatives from industry groups during the comment period, which ended on December 31, 2011. The final document can be found at www.nfma.org.

The NFMA prepares Recommended Best Practices in Disclosure ("RBPs") covering various sectors of the market, and has done so for 15 sectors over the past 12 years. Other topics, such as securities laws and industry practices, are generally addressed in White Papers or letters. The document released today updates an RBP on the same topic prepared by the NFMA in 2003; changes in the variable rate demand and short-term securities ("VRDN") market have been significant enough as to warrant a revision of our earlier document.

The 2012 updates explain structuring standards adhered to by a majority of the investors in municipal short-term securities, particularly in response to changes in bank documents over the years with respect to enhanced variable rate financings. Key revisions to the original paper include incorporation of new standards related to acceptable terms of 'most favored nation' clauses in liquidity facilities, acceptable immediate termination events in liquidity facilities and preferred tender mechanics in letter of credit supported transactions

"NFMA members hope this paper will serve as an important guide to municipal issuers of VRDNs, as well as their bankers and financial advisors, so they can structure their VRDNs for the broadest possible acceptance by participants in the municipal short-term market," according to Ben Schuler of Fidelity Investments, co-chair of the subcommittee which prepared this paper. "The paper also seeks to inform issuers of self-liquidity debt that buyers are seeking more frequent quarterly disclosure of their liquid assets to ensure they maintain adequate resources to repay their debt during strained market conditions," said Schuler. Karen Flores of Charles Schwab Investment Management, co-chair with Mr. Schuler, added, "While the legal documents have never been standard, we encountered numerous deviations from market practices which we felt demonstrated a need for revisions to the paper."

All NFMA RBPs are produced by subcommittees of the NFMA Disclosure Committee, with participation from NFMA members, issuers, the legal community, and financial advisors, as appropriate.

Established in 1983, the NFMA is an organization of over 1,200 members, primarily research analysts, who evaluate credit and other associated risks in the municipal market. These individuals represent, among others, mutual funds, insurance companies, broker/dealers, bond insurers, rating agencies, and financial advisory firms.