NFMA

November 10, 2016

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: MSRB Regulatory Notice 2016-25

Dear Mr. Smith:

The National Federation of Municipal Analysts (NFMA) appreciates the opportunity to respond to the Municipal Securities Rulemaking Board's (MSRB) request for input on the activities that should be prioritized for its next strategic planning cycle.

The NFMA is a not-for-profit association with nearly 1,400 members in 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 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 on our website, www.nfma.org.

The NFMA's membership is diverse and consists of 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 municipal market. 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 during their tenure on the board.

The NFMA's comments focus on the steps that the MSRB could take to enhance the MSRB's Electronic Municipal Market Access (EMMA) system in order to maximize its benefit to municipal market participants. Since its introduction, EMMA has greatly improved access to the relevant information needed for sound investment decisions in the municipal market by creating a centralized system for dissemination of and access to both primary market and continuing disclosure information. The vast majority of our members rely on EMMA for various investment activities including, importantly, ongoing surveillance of investment holdings.

However, there are some challenges with EMMA that, if addressed, we believe would greatly improve the accuracy, functionality and the usability of the system. Below are NFMA's suggestions for improvements to EMMA in its current form along with our ideas for the next version of the system.

Suggested enhancements to the current EMMA system:

•   Provide greater transparency of issuer compliance with continuing disclosure agreements (CDAs). At present, an issuer's compliance with the timeframe required by its CDA is not transparent. Providing clarity in terms of the issuer's commitment under its CDA and the number of days that passed between the fiscal year end and posting date for the most recent filing of audited financial statements and operating data would enable market participants to readily ascertain information about an issuer's disclosure practices. Disclosure practices are becoming an increasingly important factor to many municipal market participants, including investors.

•   Improve the system's search function. The EMMA search function's limitations complicate a user's ability to efficiently locate information on an issuer. Possible improvements include a) implementing a "smarter search function" in which the system narrows down the list of issuers based on string typed; b) creating a standardized naming convention for/by each issuer so that searches aren't impeded by having multiple names for a single issuer; and, c) providing the option to go to an issuer's home page initially versus a specific security page. Additionally, "user experience" enhancements such as allowing the enter key to run a query on the Advanced Search page versus having to hit a specific box to run the query would reduce frustration with the system.

•   Introduce procedures to reduce errors and enhance consistency. One of the more significant impediments to the efficient use of the current EMMA system are the errors and inconsistencies in how the information is entered into the system. Ideally, the MSRB would implement a quality assurance process and/or a more robust data entry process to reduce categorization errors. In particular, there is an overuse of the "Notice to Investor Pursuant to Bond Documents" and "Other Event-based Disclosures" categories. The notices in these non-descript categories have historically contained a range of information from conference call notifications to and including covenant breaches, draws on reserve funds, bankruptcy-related information and even payment defaults. Designing and implementing a tiered question-and-answer based system for submitting and classifying information could help address this problem. Also, the wording of the "Non-payment Related Default" category should be modified or further explained since it is often misunderstood and payment defaults are sometimes mistakenly filed in the category.

Another challenge arises in the labeling of filings by system inputters. There is considerable variability in how documents are named, if they are even labeled at all. In addition, items are often filed with an incorrect (or unclear) document name and date. Providing drop-down lists, along with a free form field if none of the options are applicable, as well as a requirement for each filing to include a description would improve transparency of the filing. Better visibility of period covered could be achieved by creating a separately displayed date field that is sortable instead of including it in a string with other text.

•   Correct document filing errors on EMMA. There are currently many mislabeled and misfiled postings on EMMA. For example, audited financials are sometimes located in the Event Notice section, unaudited annual financial statements are sometimes included in the Audited Financial section and filings in a particular material event category are sometimes incorrect. Additionally, issuer filings are not always attached to all of their affected CUSIPs/bond series. A concerted effort to correct these errors is necessary given the municipal market's reliance on the EMMA system for information.

•   Provide more descriptive information in alerts. Alerts currently do not provide sufficient information for users to assess their importance without opening the actual, filed PDF document. Including the following information in the alert would improve the usefulness of the tool for investors: a) issuer name, ultimate borrower (obligor), project (depending on what is available); b) type of event; and, c) document description. Additionally, providing information, such as the bond series and ultimate

borrower (obligor) or project name, on alerts for Variable Rate Demand Obligations (VRDOs) would help investors verify the identity of the security. Letters of Credit (LOC) often use the assigned LOC number as the agreement's primary identifier instead of the security's description. However, the LOC number is often redacted in the document, making security identification difficult.

• Connect remarketings of securities to original issue. Tracking a particular security that has been remarketed can be challenging in the current system. The creation of a link between an initial VRDO issuance and its subsequent remarketings would allow information about the security to be more trackable in EMMA.

• Provide options to reduce the number of entries visible in a category. As the EMMA system grows over time, the list of filings for an outstanding security can become very long and hamper the ability to readily find current information. Creating the functionality to allow the user to choose to display filings for a selected period of time would help to mitigate this issue.

• Improve the handling of archived filings. There are concerns that archived items may be "lost" when reviewing EMMA for compliance with disclosure filing requirements. Ensure that archived can be located in search functions and that users can elect to see the archived filings in the list of all filings.

Strategic enhancements to EMMA system:

• Improve user interface for how information is submitted, searched and displayed. Engage technology and user-experience professionals to work with market participants to design a more efficient and intuitive platform for information providers and end-users of the EMMA system. Additionally, the MSRB should consider instituting a process for an annual performance audit to be conducted by an independent consultant to ensure that information is being accurately input into the EMMA system, and that solutions to address recurring problems are developed.

• Link bonds not only by issuer but by ultimate borrower (obligor) and project. The high number of conduit issuer in the municipal market means that a system that focuses on issuers for organizing, searching and displaying data fall short of market needs. Developing a system that has the functionality to operate at the issuer, ultimate borrower (obligor) and/or project levels would greatly enhance the value of EMMA to market participants. Additionally, the ability to distinguish among different credits of the same issuer is important.

• Provide a mechanism to identify active material events and those that have been resolved. Currently the system does not provide transparency as to which material events an issuer has disclosed. Often this can be determined only by opening and reading the document filing. The system also does not have the capability for issuers to communicate that a prior material event filing, such as a payment default, draw on the debt service reserve fund or covenant breach, has been resolved. Providing clarity in these areas—active material events and the resolution of such—would improve transparency and security valuation.

• Encourage more uniform electronic submissions of data. Make use of standardized sector templates for submission of financial information, and enable the information to be downloaded by users for further analysis. If standardized sector templates are not mandated, providing them as an option to issuers would be incremental progress. If charts or tables are submitted in document form, the data should be able to be extracted and downloaded. Additionally, all submitted documents should be searchable, and information derived from EMMA queries, including issuer filing information and trade data, should be downloadable to Excel or another usable format.

•   Digitize information about bond calls, defeasances and agent changes. It is inefficient and cumbersome for users to open and review PDF documents to determine if a specific CUSIP has been called, redeemed or defeased, or if other administrative information, such as the agent, has changed. Annotating this information at the CUSIP level display would improve the transparency of this information.

•   Clean up sector classifications. Currently there are minimal sectors listed in the EMMA system and the methodology for assigning sector designations is unclear (purpose versus sector). Expand the sectors used in the EMMA system and develop a procedure for sector assignment, or utilize sector classifications by another data provider and disclose the methodology used. The variety of approaches available to market participants (Bond Buyer, Bloomberg, rating agencies, etc.) creates confusion and should be addressed.

•   Improve access of EMMA system for smaller firms. Undertake a survey of small and medium size institutions to determine those firms' specific needs and how best to address them.

Thank you for your consideration of our suggestions to leverage and improve upon the EMMA system. We appreciate the MSRB's ongoing commitment to improving the transparency, fairness and efficiency of the municipal market. The EMMA system has been a very valuable contribution to improving access to municipal information. We would be happy to discuss our suggestions further at your convenience.

Sincerely,

/s/

Lisa Washburn
NFMA Chair