



March 31, 2017

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

Re: MSRB Regulatory Notice 2017-05

Dear Mr. Smith:

The National Federation of Municipal Analysts (NFMA) appreciates the opportunity to respond to the Municipal Securities Rulemaking Board's (MSRB or Board) *Request for Comment on Draft Amendments to and Clarifications of MSRB Rule G-34, on Obtaining CUSIP Numbers*.

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](http://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 fully supports disclosure of all the financial obligations of a municipal issuer **with publicly outstanding debt** including bank loans, direct placements, private placements, swaps and other instruments that create indebtedness. These instruments can have a material impact on outstanding publicly issued debt and impact an investor's decision of whether to purchase, hold or sell a security. For example, these borrowings and/or contracts can: a) increase the amount of debt outstanding and reduce financial flexibility; b) allow a new lender or counterparty to exercise remedies ahead of existing bondholders; c) divert specific resources (originally part of general resources) to secure the new obligation; d) add covenants that, when triggered, could result in cross-defaults; and, e)



compromise an issuer's liquidity if the principal payment is structured as a balloon payment, has extraordinary call provisions or requires the posting of collateral.

The NFMA believes that dealers and municipal advisors should bear the same disclosure responsibilities when acting as a placement agent for non-public debt incurred by a municipal issuer, but we do not take a position on when CUSIPs should or should not be obtained. However, if the proposed amendments and clarifications result in more bank loans, direct placements and private placements obtaining CUSIP numbers, we are concerned about the potential disclosure consequences in the EMMA system.

At present, issuers with publicly outstanding bonds (and their financing teams) have been encouraged by the MSRB and various industry groups, including the NFMA, to alert their existing bondholders when they incur new debt that is not a public transaction. When done, this is commonly accomplished by filing information in the EMMA system under an issuer's CUSIPs for publicly outstanding debt that are monitored by an issuer's existing investors. If new CUSIPs are obtained for each private debt transaction, it may result in fewer notices being posted or linked to the CUSIPs for affected publicly outstanding debt, reducing the information flow to investors. This would undermine progress made by the market in the disclosure of these instruments.

Additionally, the SEC's Proposed Amendments to Exchange Act Rule 15c2-12 would expand the list of reportable material events to include the notification of the incurrence of financial obligations and the triggering of events under such obligations that reflect financial difficulties. Both the MSRB's proposals and the SEC's proposals will affect disclosure of these instruments, and care should be taken to be sure that each proposal can be implemented without creating reporting and system complexities that result in unintentional disclosure lapses.

We encourage the MSRB to thoroughly explore the technical issues related to the proposed regulatory proposals (and the ease of compliance with such) in its EMMA system to ensure that there is no inadvertent loss of transparency to holders of publicly issued debt of an issuer's private debt obligations.

Thank you for your consideration of our comments. We appreciate the MSRB's ongoing commitment to improving the transparency, fairness and efficiency of the municipal market. We would be happy to discuss our concerns further at your convenience.

Sincerely,

/s/

Julie Egan  
NFMA Chair 2017

/s/

Lisa Washburn  
NFMA Industry Practices & Procedures Chair

