
From: McGuirk, Hugh
Sent: Wednesday, March 14, 2012 9:32 AM
To: Lynnette Kelly
Subject: FW: (BOB) MSRB: Limit Use Of NRO

Lynnette, I am with you all the way on this one. In my experience, whenever I purchased bonds that were "NRO" it was not at my initiative to label it that way but at the initiative of the dealer. I honestly don't care if anyone else sees the price. Let's do away with it. Keep fighting the fight! Just one investor's opinion.

Hope you are well.
Hugh

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MSRB: Limit Use Of NRO
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By Jonathan Hemmerdinger

March 14 (Bond Buyer) -- WASHINGTON - The Municipal Securities Rulemaking Board proposed a rule change Tuesday that would limit dealers from using the term "NRO," or "not reoffered," in written communications about new muni securities, a move aimed at ensuring market participants will have accurate and timely price and yield information.

A dealer could use the term only if it also discloses the initial offering price or yield information on the securities, the board said in proposed changes to its Rule G-34 on new issues.

"We see this proposal as an important protection for state and local governments. We want to ensure that they are able to access complete pricing information about new bonds," MSRB executive director Lynnette Kelly said in a release.

Underwriters frequently use the NRO designation to show a maturity of bonds has already been sold and is not available to be reoffered to potential investors. When using the designation, underwriters avoid disclosing the price or yield of the bonds.

MSRB rules already require underwriters to report initial offering prices or yields to the board's online EMMA system, but the data isn't due until the end of the first day of trade.

They also must report initial prices and yields to the New Issue Information Dissemination System at the Depository Trust and Clearing Corp. That data is due two hours from when the issuer accepts an underwriters' bid for the bonds, but only those with NIIDS access can get the data.

"The availability of complete price and yield information prior to the end of the first day of trading in a new issue considerably enhances market price transparency," the MSRB said in its release. Comments on the proposed rule change are to be submitted to the board by April 10.

Eric Johansen, treasurer for Portland, Ore., said the proposal is a positive step and will help issuers access timely prices and yields, which they use as benchmarks when negotiating sales of securities. He said municipalities get data from providers like Bloomberg and Thomson Reuters, but that price and yield data is often missing, replaced with NRO.

"When we do negotiated deals, we try to gather information on comparable transactions. And when the yield information is reported as NRO, it's worthless," Johansen said. "We want data from today - the most comprehensive information we can get."

Bond Dealers of America chief executive officer Mike Nicholas said his group's middle-market, fixed-income dealers support the intent of the MSRB's proposal to the extent it improves transparency and efficiency. He said the proposal could change the competitive underwriting process, but added that BDA is open to helping the board tackle potential problems.

Nicholas also supports the MSRB's goal, outlined in its recently issued long-range transparency plan and mentioned in the Tuesday release, to make timely NIIDS data available on EMMA, which he said is BDA's primary source for muni market data.

Leslie Norwood, co-head of the municipal securities division at the Securities Industry and Financial Markets Association, said the MSRB's proposal would mean earlier disclosure of some new-issue prices, but worried some issuers' costs could climb.

"The NRO designation is typically used when an investor does not want the price and yield on its purchase of an entire maturity of securities immediately known," Norwood said. "Not being able to mark maturities NRO will likely cause those investors to demand a higher yield."

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