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October 31, 2014

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314
Attention: Ronald W. Smith, Corporate Secretary

Re: **Request for Comment - Input on MSRB Strategic Priorities (Notice 2014- 16)**

Dear MSRB Board Members and Staff:

Public Financial Management, Inc. (“PFM”) appreciates the opportunity to provide input and additional comments regarding the formal strategic planning and resource allocation considerations of the Municipal Securities Rulemaking Board (“MSRB” or the “Board”). The appropriate setting of the long-term priorities in furtherance of the MSRB’s objectives and initiatives will be significant to the continued realization of corresponding priorities within the municipal marketplace, municipal market service providers including registered municipal advisors such as PFM, and the governmental and non-profit issuer clients we serve. Indeed, our primary consideration in making the comments shared herein centers on the needs of local, state and regional government and non-profit market participants, and the effects of the regulatory environment upon their financing practices, fiscal objectives and the resources they will require in order to operate within the evolving regulatory framework and associated rules. We would welcome future opportunities to share our input and viewpoint with the Board.

In response to the Board’s identified goals and the questions presented in the release for public comment on the Board’s strategic priorities, PFM offers these comments and related considerations for developing appropriate priorities which will guide the MSRB in helping to maintain an efficient and effective municipal securities marketplace.

Where can the MSRB have the most meaningful impact on the municipal market and/or industry?

The MSRB can expectedly have the most meaningful impact upon the municipal marketplace and industry by continuing to maintain focus upon the clarity of guidelines and standards of market participants and the service providers to municipal issuers. The MSRB



should engage all municipal market participants in coordinating meaningful new rule proposals or existing rule updates. Prescribing the guidelines and standards for the fiduciary responsibilities of registered municipal advisors will be a challenging priority that the MSRB must embrace, beyond the technical requirements, to truly realize the intended outcome, namely the protection of issuers of municipal securities.

Of particular focus should be the range of financial acumen, resources, market knowledge, financing practices, credit structures, and transaction frequency among municipal issuers. Municipal issuers of all types must be continually and actively engaged by the MSRB in order to enhance the MSRB's understanding and the impact MSRB initiatives have on the industry. Only by acknowledging and addressing the varying characteristics, challenges and concerns of such issuers will the MSRB's rules and actions have the desired effects.

What are the top issues, risks or challenges in the municipal market and how might the MSRB proactively address them?

Among the many issues facing the municipal market, several have the potential to affect the municipal issuers' financing practices, cost of transaction execution or their cost of capital, including:

- Uncertainty about the effects of the MSRB's rules and standards
- Issuer disclosure requirements, both in the official statement and thereafter
- Basel III and other implications for institutional investors (for example, effect of the requirements for qualifying High Quality Liquid Assets)
- Tax reform efforts and the value of tax-exemption
- Access to both short-term and long-term borrowing mechanisms with manageable risk profiles

The MSRB can help address the uncertainty stemming from its rules by providing interpretive guidance on the rules as they are finalized, and as the Securities and Exchange Commission's and FINRA's examination and enforcement regime is articulated. We encourage the MSRB to actively solicit and incorporate additional issuer and municipal advisor feedback about the practical realities of implementing the new rules. The MSRB's potential role in addressing the other issues listed above will depend on what the Board is willing to do in order to maintain an orderly, transparent, expanded and efficient municipal market and to protect issuers. This could include a measure of issuer advocacy in order to preserve a healthy market for



municipal securities. It is not clear whether the MSRB has the latitude or desire to venture into the dialogue and debate on certain of these topics.

How should the MSRB's resources be allocated among the core components of its mission, which includes protecting municipal securities investors, protecting issuers and municipal entities, promoting market fairness and efficiency and providing market transparency?

Investors, including those investing in municipal securities, already have appropriate protections under existing securities laws and regulations. Indeed, for many decades, the broker-dealer community has been required to serve investor interests, even when such interests conflict with issuer interests. Practically speaking, bond counsel and trustees have a similar charge. However, it is only through the implementation of the Dodd-Frank Act and the regulation of municipal advisors that municipal issuers have been afforded the protection of a finance team participant which serves them in a fiduciary capacity. Undoubtedly, this continues to be a key distinction which must be appropriately recognized and comprehended. Together with initiatives that preserve, broaden or deepen the investor base for municipal securities as well as promoting access to real-time pricing information and market fairness, we believe that the MSRB should allocated a significant portion of its resources to protecting issuers of municipal securities.

The MSRB is well-equipped, for instance, to tackle the requisite disclosure guidelines and standards aimed at providing the disclosure framework upon which investors may rely while addressing the resources and financing practices of the extremely broad variety of municipal issuers. A priority for MSRB and the industry must be to find a reasonable approach to reconcile the nature of disclosures provided within official statements and the need for continuing disclosures leading to greater market transparency.

To what extent should the EMMA website add additional features and functionality and how can the MSRB best determine which developments contribute the most to a fair and efficient municipal market?

As a municipal advisor generally engaged on many municipal transactions, PFM, like other qualified advisors, is a frequent user of the EMMA website. Rather than offer a prescription for additions or changes to the website, we suggest that the MSRB create a small working group of industry professionals and representative issuers to discuss how any recommended changes or enhancements to EMMA's features and functionality can improve the market for municipal securities. PFM would gladly help formulate and participate in such a group.



As always, we would welcome the opportunity to discuss these comments or otherwise assist the MSRB in ensuring that it fulfills its statutory mandate to promote a fair and efficient municipal market.

Respectfully submitted,

A handwritten signature in blue ink that reads "John H. Bonow". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

John H. Bonow
Chief Executive Officer

cc: Kym S. Arnone, Chair
Municipal Securities Rulemaking Board

Lynette Kelly, Executive Director
Municipal Securities Rulemaking Board

Gary Goldsholle, General Counsel
Municipal Securities Rulemaking Board