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May 27, 2016

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

Re: Request for Comment on Concept Proposal to Improve Disclosure of Direct Purchases and Bank Loans (MSRB Notice 2016-11)

Dear Mr. Smith:

The Investment Company Institute¹ supports the Municipal Securities Rulemaking Board's continuing efforts to increase transparency in the municipal securities markets. The MSRB's concept proposal, which would require municipal advisors to disclose information regarding the direct purchases and bank loans of their municipal entity clients,² is another step towards ensuring the accessibility and dissemination of important information to investors.

The need for comprehensive, accurate, and accessible disclosure in the municipal securities market is critical to investors because of the complexity, variety, and sheer number of securities in the market. As of fourth-quarter 2015, investors held 26 percent of the \$3.7 trillion in municipal market securities through registered investment companies and another 41 percent directly. These investors need timely and efficient access to information to perform credit analyses, make informed investment decisions, monitor their securities portfolios, and protect themselves from fraud. Improving transparency and disclosure in the municipal securities market would not only provide investors with such needed access but also would strengthen investor confidence in the municipal securities market, benefiting investors and the marketplace as a whole.

¹ The Investment Company Institute (ICI) is a leading global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's U.S. fund members manage total assets of \$17.6 trillion and serve more than 90 million U.S. shareholders.

² See *Request for Comment on Concept Proposal to Improve Disclosure of Direct Purchases and Bank Loans*, MSRB Notice 2016-11 (March 28, 2016), available at <http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2016-11.ashx> ("Notice").

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For several years, the MSRB has encouraged state and local governmental entities to voluntarily disclose information about their bank loan financings to its Electronic Municipal Market Access (EMMA) system. Because bank loans and direct purchases are not subject to the same level of disclosure as public offerings of municipal securities, the MSRB is concerned that investors may not fully appreciate the overall amount of indebtedness of an issuer in a timely fashion, and also may lack knowledge of key terms of any undisclosed indebtedness. For example, our members point out that some direct purchases and bank loans may materially add to an issuer's level of debt and include provisions that make creditors senior to bondholders or that provide creditors with more favorable remedies than bondholders in the event of default.

Unfortunately, despite the MSRB's continued encouragement that issuers voluntarily disclose their overall debt obligations on EMMA, the number of actual disclosures made remains limited. As a result and in connection with this concept proposal, the MSRB is seeking comment on ways in which more information or more timely information about such financing could be made available to investors, including whether to require municipal advisors to disclose information regarding the direct purchases and bank loans of their municipal entity clients.

We believe that information about an issuer's direct purchases and bank loans should be timely submitted to a centralized source, such as EMMA, to ensure the availability, and to improve the utility, of such information.³ We further believe that this additional disclosure should be accompanied by a new filing category on EMMA (such as "All Other Indebtedness" or similar category). We therefore support such efforts and also believe they would advance the MSRB's long-standing goal of making information useful for an investment decision more easily available to all participants in the municipal securities market on an equal basis through a centralized, searchable, internet-based repository.⁴

³ At a minimum, basic terms of the indebtedness should be disclosed. These include par amount, coupon and/or borrowing spread, issue price, term to maturity, and other material provisions (such as call, put, and sinking fund schedules, debt and lien priority, event-driven changes in financing cost, financial covenants, events of termination and default (including cross defaults), and remedies, such as acceleration). The governing borrowing documents (*i.e.*, term sheet, indenture or loan agreement, etc.) also should be disclosed.

⁴ We also believe that because not all issuers have municipal advisors, the Securities and Exchange Commission should consider amending Rule 15c2-12 under the Securities Exchange Act of 1934 to include bank loans and direct purchases as additional material events.

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We look forward to working with the MSRB as it continues to examine these critical issues. In the meantime, if you have any questions, please feel free to contact me directly at (202) 218-3563 or Jane Heinrichs, Associate General Counsel, at (202) 371-5410.

Sincerely,

/s/ Dorothy Donohue

Dorothy Donohue
Deputy General Counsel—Securities Regulation

cc: Lynette Kelly, Executive Director
Municipal Securities Rulemaking Board

Jessica Kane, Director
Office of Municipal Securities
U.S. Securities and Exchange Commission