

December 17, 2012

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

Re: Comments Concerning MSRB 2012-59 (November 23, 2012)
MSRB Second Request for Comment on Draft Rule Requiring Underwriters to
Submit 529 College Savings Plan Information to the MSRB

Dear Mr. Smith:

Financial Research Corporation (“FRC”) commends the MSRB’s goal to evaluate the increase in amount of information about 529 savings plans available to the MSRB for regulatory purposes only and not for display on EMMA. We appreciate the opportunity to comment.

For more than ten years, Financial Research Corporation has provided the college savings industry with insight, data, and analysis on 529 savings plans, 529 prepaid plans and other college savings related vehicles. FRC’s “529 College Savings Quarterly Data Update”, “529 College Savings Quarterly Qualitative Update” and “529 College Savings Quarterly Fee Analysis” provide in-depth analysis, commentary, and data on college savings (529 college savings plan and 529 prepaid plan) product, marketing and distribution trends. Each issue features a review of top 529 college savings plans in this space, including data on assets, net flows, performance, expenses, and portfolio characteristics. FRC’s recent research studies on college savings plans include “529 Plans: Financial Advisor Support, Selection and Distribution Preferences” (2012), “529 Industry Analysis” (2012), “529 Advisor Perspectives” (2011), “529 Plans and Distribution Analysis” (2011), “Evaluating the College Savings Market Opportunity” (2009), “529 Strategies for Success” (2004), and “529 Plans: An Investment in Your Company’s Future” (2002). The studies contain proprietary industry surveys of advisors, investors and product providers and incorporate FRC’s primary research distilled from interviews with industry executives and state agency public documents.

In MSRB Notice 2012-59, the Municipal Securities Rulemaking Board (“MSRB”) requested public comment on a second draft proposal requiring brokers, dealers, and municipal securities dealers (“dealers”) that act in the capacity of underwriter (commonly known as “primary distributor”) of such plans to provide 529 college savings plan data (“529 Plans”) and to retain such records pursuant to amendments to MSRB Rule G-8, on books and records, and MSRB Rule G-9, on preservation of records.



In observation of the request for comment, FRC provides the following suggestions:

- FRC requests quarterly data from 529 savings plan product providers with a requested response date of approximately 30 days from month-end and publishes quarterly reports within 45 days for assets, total accounts and net flows, and 60 days for descriptive information. Based on FRC's experience in collecting the data, FRC suggests lengthening the required response time requirement from 60 days to 120 days and extending an implementation period from one year to two years given that primary distributors will need to make extensive enhancements in their accounting systems such as changing to a calendar year reporting cycle and collecting new data fields. Also, organizations will need to make on-going maintenance which requires time for quality assurance across all of their systems. Lastly, firms will need time to audit their reports to ensure the sought after reliability as the reporting will be used for regulatory purposes and carry monetary punishments through enforcement per a call on August 9, 2012 with Larry Sandor, Deputy General Counsel of the MSRB.
- FRC provides its 529 College Savings Quarterly Updates in pdf and excel format to the MSRB per request by Larry Sandor, and will continue to do so until notified so as to allow the information to be easily analyzed at no additional cost to the industry. Due to the proposed duplicative data collection effort by the MSRB, the additional oversight gained from MSRB's data collection is not material and would only raise the expenses of 529 plans and college affordability burden of families. Therefore FRC recommends not requiring the data collection at least at the investment option level to reduce the reporting costs. Fee and expense data should also not be required as it is already reported to the MSRB via the disclosure documents in EMMA. Therefore the burden to extract the information from EMMA, sort it, and analyze the data already provided should be carried by the MSRB as opposed to reported again.
- The data collection should only include those 529 plans primarily sold through the "advisor-sold" channel as referred to in MSRB Notice 2012-59 as this is the only channel that the MSRB has authority to directly regulate. If this is not the case, the MSRB should release a new Request for Comment before moving forward.

Thank you for providing the opportunity to respond to the Request for Comment, and please do not hesitate to contact me by phone (617-399-5621) or email (paul.curley@frcnet.com) if you have any questions concerning our comments or require additional information.

Sincerely,

Paul Curley, CFA
Director of College Savings Research
Financial Research Corporation, a Division of Strategic Insight