



By Electronic Delivery

March 10, 2014

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

Re: Comments Concerning MSRB Notice 2014-01  
Request for Comment on Draft MSRB Rule G-42, on Duties of Non-Solicitor  
Municipal Advisors

Dear Mr. Smith:

The College Savings Plans Network (CSPN), on behalf of its members, is pleased to have this opportunity to comment on MSRB Notice 2014-01, *Request for Comment on Draft MSRB Rule G-42, on Duties of Non-Solicitor Municipal Advisors* issued January 9, 2014 (the “Notice” or “Notice 2014-01”). We appreciate the Municipal Securities Rulemaking Board’s (the “MSRB”) continuing commitment to assist consumers seeking to invest in 529 College Savings Plans (“529 Plans”) and its interest in ensuring that State administrators of 529 Plans receive sound, balanced support from its advisors. We remain dedicated to working with the MSRB in its efforts to implement the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).

CSPN appreciates the MSRB’s efforts to outline duties and obligations of municipal advisors as defined by Section 15B(e)(4)(A) of the Securities Exchange Act of 1934 (the “Exchange Act”). However, we believe that municipal advisors to 529 Plans provide different services and are organized differently than municipal advisors in other contexts. Therefore, we offer the following observations and concerns for the MSRB’s consideration.

### **Endorsement of Investment Company Institute Comment Letter**

CSPN is supportive of the comments relating to proposed Rule G-42 submitted by the Investment Company Institute (the “ICI”) and endorses its comment letter dated March 4, 2014 on Notice 2014-01 (the “ICI Letter”).

## **Additional Comments**

In addition to the points raised in the ICI Letter, CSPN wishes to present the following information:

### **Subsection (a) and Supplementary Material .02**

The requirement in Supplementary Material .02 that a municipal advisor “investigate and consider other reasonably feasible alternatives to any recommended municipal securities transaction or municipal financial product that might also or alternatively serve the municipal entity client’s objectives” does not squarely apply to the 529 Plan marketplace. Because of the limitations imposed by Section 529 of the Internal Revenue Code, a municipal advisor to a 529 Plan administrator, for example, could only recommend other 529 Plan products. In this context, the advisor would be limited to recommendations of structural or investment option alternatives for the relevant 529 Plan. Accordingly, an elimination or clarification of this requirement in Supplementary Material .02 for 529 Plan municipal advisors is appropriate.

### **General Matters – Questions 9 and 10**

Municipal advisors to 529 Plans range in size from multi-billion dollar financial services firms to small business advisors. Requiring a specified limit of professional liability insurance is unprecedented in the industry and is, at best, problematic given the diverse nature of the 529 Plan municipal advisor market. Specified limits of coverage would create an undue cost burden for municipal advisors to 529 Plans and prohibit new municipal advisors from entering the market.

### **Application for Rule G-42**

CSPN reiterates the comments made in the ICI Letter regarding prospective application of Rule G-42. It is important to also note that, in most cases, the municipal advisor’s contract with a 529 Plan state administrator has been the subject of protracted and complex state mandated procurement requirements. Retroactive application of Rule G-42 would require an undue burden on state procurement processes across the country resulting in required detailed reviews of procurement laws and regulations by state 529 Plan administrators and state procurement offices. In addition, some state procurement processes may not allow for a retroactive amendment to a current municipal advisor’s contract with the state. Accordingly, CSPN strongly believes that Rule G-42 must apply only prospectively.

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Thank you again for providing an opportunity to comment on the Notice. We believe these revisions and clarifications to the proposed rule will protect 529 Plan investors and their

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state administrators while allowing for an appropriate regulatory structure for municipal advisors in the 529 Plan marketplace. Please do not hesitate to contact us with any questions or for more information. You may reach CSPN by calling Chris Hunter at (859) 244-8177.

Sincerely,

A handwritten signature in cursive script that reads "Betty Lochner".

Betty Everitt Lochner  
Director, Guaranteed Education Tuition Program  
Chairman, College Savings Plans Network