

MEMO# 22562

May 27, 2008

MSRB Seeks Comment on Increasing Available Information for Variable Rate Demand Obligations

[22562]

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 22-08
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 12-08
INST. MONEY MARKET FUNDS ADVISORY COMMITTEE No. 9-08
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 23-08 RE: MSRB SEEKS COMMENT
ON INCREASING AVAILABLE INFORMATION FOR VARIABLE RATE DEMAND OBLIGATIONS

The Municipal Securities Rulemaking Board (“MSRB”) has requested comment on a proposal to create a central system for collection and dissemination of market information about Variable Rate Demand Obligations (“VRDOs”). [\[1\]](#) Under the proposal, dealers that act as remarketing agents would be required to report information about a VRDO by the end of the day that an interest rate reset occurs. The proposed system would then display this information immediately on a MSRB web site. [\[2\]](#)

The MSRB proposal is designed to collect information that would provide an investor with the ability to determine the current interest rate for the security and compare the current interest rate to other VRDOs. The proposal also would require collection of information about the terms of the liquidity facilities attached to VRDOs; and, it would require that notification of interest rate conversions, including the date of the conversion and the new interest rate mode, be provided to the MSRB. Specifically, the proposal would seek to collect and disseminate the following items of information:

- CUSIP number,
- Name of remarketing agent,

- Date of interest rate reset,
- Interest rate for the next reset period,
- Length of the interest rate reset period,
- Length of notification period,
- Whether interest rate is “set by formula” or “set by remarketing agent,”
- Minimum and maximum rates, if any,
- Minimum denomination,
- Type of liquidity facility(ies), and
- Expiration date of each liquidity facility.

The proposal would permit remarketing agents to designate third parties to provide the required information to the MSRB on the remarketing agent’s behalf, but would mandate that the remarketing agent would remain responsible for timely and accurate reporting of the requisite information. The proposal also would require each remarketing agent and third-party submitter to complete and keep current an electronic registration form. The registration form would include contact information, intended methods of submitting information to the MSRB, and the identity of third-party submitters authorized to act on behalf of the remarketing agent.

The MSRB specifically seeks comments on the following questions:

- Are the items of information proposed to be collected and disseminated about VRDOs appropriate? Are there additional items of information that should be added to this list of information?
- What is the current and anticipated volume of VRDOs that are bought by retail customers?
- Are there documents concerning VRDOs that are not currently required to be filed with the MSRB under Rule G-36, on delivery of official statements, advance refunding documents and Forms G-36(OS) and G-36(ARD), such as the LOC or SBPA for a VRDO, that should be filed with the MSRB and made publicly available?

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endnotes

[1] MSRB Notice 2008-24, Request for Comment: Plan for Increasing Information Available for Municipal Variable Rate Demand Obligations (May 23, 2008). The Notice may be found at <http://www.msrb.org/msrb1/whatsnew/2008-24.asp>. Comments are due to the MSRB no later than June 30, 2008. The proposal would use the same system for information collection proposed in the MSRB March 2008 Notice for Auction Rate Securities. See Memorandum to Municipal Securities Advisory Committee No. 13-08, Closed-end Investment Company Committee No. 9-08, Money Market Funds Advisory Committee No. 5-08, and the Inst. Money Market Funds Advisory Committee No. 5-08, dated March 24, 2008 [22364].

[\[2\]](#) As proposed, users of the MSRB web site also would be able to access any additional documents on file with the MSRB's Municipal Securities Information Library associated with the particular VRDO, such as official statements.

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