

MEMO# 24261

April 26, 2010

Comment Letter on MSRB Proposal to Enhance ARS and VRDO Disclosure

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 12-10 RE: COMMENT LETTER ON
MSRB PROPOSAL TO ENHANCE ARS AND VRDO DISCLOSURE

As you know, the Securities and Exchange Commission published a proposed rule change by the Municipal Securities Rulemaking Board (“MSRB”) designed to enhance the interest rate and descriptive information currently collected and made transparent by the MSRB on auction rate securities (“ARS”) and variable rate demand obligations (“VRDOs”). [\[1\]](#) The Institute has prepared a comment letter, which is attached and summarized below, supporting the proposed rule change and making several recommendations to improve further disclosure for variable rate securities.

Items for Disclosure

The proposed rule change would require dealers to report to the MSRB documents that set forth auction procedures and interest rate setting mechanisms for ARS and liquidity facilities for VRDOs, as well as ARS bidding information and additional VRDO information. All collected documents and information would be made available in real-time on the MSRB’s Electronic Municipal Market Access system (“EMMA”). The Institute letter strongly supports the reporting and disclosure of this information through the MSRB as the next step in increasing transparency about the ARS and VRDO markets.

The letter recommends that, in addition to the proposed information regarding liquidity facilities, the MSRB expand the proposed disclosures to include credit enhancement data and documentation generally. The recommendation is designed to illicit disclosure

regarding the existence of other credit enhancements, such as insurance or guarantees. The letter also recommends that the MSRB create a “miscellaneous” or “catch-all” category of variable rate securities to provide investors with material information about new products that fall outside the scope of the ARS and VRDO disclosure requirements.

Form of Disclosure

The proposed rule change would require the submission by dealers and remarketing agents to EMMA of certain individual data elements as well as certain documents. Documents required to be submitted to EMMA would need to be in word-searchable portable document file (“PDF”) for new or amended versions of the documents produced after the effective date of the proposal; documents related to outstanding issues would not. The Institute letter supports the requirement that new and amended documents submitted to EMMA be word-searchable PDF to enable investors to easily navigate and to compare data, thereby improving the utility of this information for investors.

Timing of Disclosure

The proposed rule change would require dealers and remarketing agents to submit the requisite documents and information to EMMA within 90 days for outstanding ARS and VRDOs and within one business day of receipt for any new or amended versions of the documents, after the effective date of the proposal. The letter emphasizes the importance of timing to the value of collecting and disseminating the proposed information to investors. Accordingly, it supports the proposed one-business-day submission requirement for new or amended versions of the ARS and VRDO documents but recommends that the 90-day period for outstanding issues be reduced to 30 days. [\[2\]](#)

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[Attachment](#)

endnotes

[\[1\]](#) See Institute [Memorandum](#) [#24217] to Municipal Securities Advisory Committee No. 8-10, dated April 6, 2010.

[\[2\]](#) The MSRB had originally proposed a 30-day period for submission of outstanding ARS and VRDO documents. See MSRB Notice 2009-43 (July 14, 2009).