

MEMO# 12843

November 8, 2000

ICI DRAFT COMMENT LETTER ON MSRB PROPOSAL TO PERMIT ELECTRONIC SUBMISSION OF DISCLOSURE DOCUMENTS AND FORMS

[12843] November 8, 2000 TO: FIXED-INCOME ADVISORY COMMITTEE No. 10-00 RE: ICI DRAFT COMMENT LETTER ON MSRB PROPOSAL TO PERMIT ELECTRONIC SUBMISSION OF DISCLOSURE DOCUMENTS AND FORMS Enclosed is a draft comment letter on the Municipal Securities Rulemaking Board's proposal to establish an optional system of electronic submission by underwriters of official statements, advance refunding documents and Forms G-36(OS) and G36(ARD) to the MSRB's Municipal Securities Information Library® ("MSIL®") system. Comments on the MSRB's proposal are due by Friday, November 17th. Please provide any comments you may have to Barry Simmons at (202) 326-5923 (phone) or bsimmons@ici.org (e-mail) by Tuesday, November 14th. Overall, the draft comment letter supports the MSRB's MSIL® system but makes the following comments and recommendations. First, the letter discusses the submission options proposed and recommends that MSIL retain a paper copy of all filed documents for investors who wish to make copies of the paper documents at the MSRB or receive such copies by mail. The letter also urges the MSRB to refrain from taking steps that reduce the availability of paper copies at MSIL without any significant compensating benefit. The letter explains that analysts and institutional investors generally prefer to review official statements in paper format and may be concerned by the evolution of MSIL into a system in which both the input by underwriters to MSIL and the output by MSIL to subscribers is only in an electronic format. The letter thus recommends that underwriters who choose to file an electronic copy of an official statement should also be required to file a bound paper copy of such official statement if a paper version has been used for offering purposes. The draft letter discusses the types of documents that may be submitted electronically and points out that in the case of amended official statements and amended advance refunding documents, electronic submission is permitted only if the original official statement or advance refunding document was submitted electronically. The letter notes that because speedy redelivery of such amendments may be particularly important to minimize erroneous reliance on outdated documents, the MSRB should consider whether it is feasible to permit electronic submission of such amending documents even if the original documents were submitted to MSIL in paper format. 2The draft letter discusses the proposed format of uploaded files and types of submissions proposed to be permitted and agrees that all documents submitted electronically to MSIL, as well as all documents redelivered by MSIL to subscribers, should follow a consistent file format. The letter thus recommends that the Form G-36 Manual require that underwriters who wish to submit documents to MSIL

electronically use “native” PDF files, and should not permit the scanned image PDF file alternative. The letter explains that native PDF files are substantially superior to scanned image PDF files given the searchable nature of native PDF files and their significantly smaller file size. The letter adds that the MSRB should consider requiring the underwriter to merge any separate PDF files relating to an official statement into a single, properly sequenced PDF file prior to submitting the official statement to MSIL. Finally, the draft letter urges the MSRB to clarify that the term “advance refunding documents” as used in MSRB Rule G-36 includes, in addition to escrow agreements or refunding trust agreements for the advance refunded bonds, any verification reports by accountants and defeasance opinions by bond counsel issued in connection with the applicable advance refunding. This clarification should apply to paper submissions as well as to electronic submissions of advance refunding documents. The letter adds that no significant hardship would result to underwriters in requiring them to submit these ancillary advance refunding documents together with the applicable escrow agreement; in contrast, the lack of such a requirement significantly diminishes the value to investors of the advance refunding document component of the MSIL® system. Barry E. Simmons Associate Counsel Attachment (in .pdf format)

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