

## COMMENT LETTER

September 14, 2006

# Institute Comment Letter to MSRB on "Access Equals Delivery" Standard for Official Statements (pdf)

September 14, 2006 Mr. Ernesto A. Lanza Senior Associate General Counsel Municipal Securities Rulemaking Board 1900 Duke Street, Suite 600 Alexandria, Virginia 22314 Re: MSRB Notice 2006-19, Request for Comment on Application Of "Access Equals Delivery" Standard to Official Statement Dissemination for New Issue Municipal Securities Dear Mr. Lanza: The Investment Company Institute<sup>1</sup> is pleased to support, as a general matter, the Municipal Securities Rulemaking Board's proposal to implement an electronic system of primary market disclosure in the municipal securities market (the "Release").<sup>2</sup> The Institute commends the MSRB for its initiative to promote significantly more effective and efficient delivery of material information on municipal securities to new issue customers and the marketplace in general. Investment companies collectively hold about 32 percent of all U.S. municipal securities, totaling over \$722 billion, and thus have a vital interest in ensuring timely and efficient access to official statements of municipal securities issuers.<sup>3</sup> The Internet-based centralized filing system for continuing disclosure filings on municipal securities developed by the Muni Council and the Municipal Advisory Council of Texas ("Texas MAC") has substantially improved disclosure in the secondary market,<sup>4</sup> and the current proposal is a logical and important next step. Our specific comments are provided below.

1 The Investment Company Institute is the national association of the U.S. investment company industry. More information about the Institute is available at the end of this letter. 2 See Request for Comment on Application of "Access Equals Delivery" Standard to Official Statement Dissemination for New Issue Municipal Securities, MSRB Notice 2006-19 (July 27, 2006). 3 See Investment Company Fact Book, 46th Edition, [www.icifactbook.org](http://www.icifactbook.org), at 10. 4 See Letter from W. David Holland, Chairman, Texas MAC, and John M. McNally, Hawkins Delafield & Wood LLP, to from Martha Mahan Haines, Chief, Office of Municipal Securities, Securities and Exchange Commission, dated Sept. 1, 2004 (describing the system).

Mr. Ernesto A. Lanza September 14, 2006 Page 2 of 4 I. "Access Equals Delivery" Proposal: Centralized Access to Electronic Official Statements The Institute strongly supports the MSRB's proposal to adopt an "access equals delivery" standard for the official statements that are delivered in the primary municipal securities market. This model will allow issuers to capture, process, and disseminate disclosure information to investors in a cost-efficient manner. Moreover, the Internet provides a unique tool for improving the quality of disclosure while meeting a variety of needs and preferences for different levels of information. For these reasons, the Institute has supported the use of the Internet to meet a variety of disclosure obligations, including disclosures regarding securities registrations and offerings,<sup>5</sup> proxy materials,<sup>6</sup> and detailed information about

mutual funds.<sup>7</sup> The Release requests comment on whether a centralized website for official statements is preferable to a decentralized system. The Institute believes that investors would be best served if official statements were made available at a centralized Internet website. We agree with the MSRB that its alternative proposal, a central directory of official statements that directs investors to other sites where the official statements are hosted, provides fewer assurances that electronic access will be maintained in a uniform manner. A centralized source will not only ensure more consistency, but will also be preferable for investors who wish to review the official statements for several municipal securities. The Institute encourages the MSRB to select a single provider for the centralized website, and to coordinate with all interested parties to develop a system that is as efficient and useful as the one currently operated by Texas MAC for secondary market disclosures. The Institute further recommends that, in either case, the new electronic system should electronically submit official statements to nationally recognized municipal securities information repositories ("NRMSIRs"), as the Texas MAC system currently does with secondary market disclosures. This will allow investors in municipal securities to access comprehensive disclosure information for an issuer at a single source. 5 See Letter from Amy B.R. Lancellotta, Senior Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, Securities and Exchange Commission, dated Jan. 31, 2005 (supporting proposed modifications to registration, communications and offering processes under the Securities Act of 1933, and urging the Commission to use the proposal as a starting point for considering reforms for mutual fund disclosure). 6 See Letter from Elizabeth R. Krentzman, General Counsel, Investment Company Institute, to Nancy M. Morris, Secretary, Securities and Exchange Commission, dated Feb. 13, 2006 (supporting the Commission's proposal to permit issuers to make greater use of the Internet to furnish proxy materials to shareholders). 7 See Statement of the Investment Company Institute, Submitted for the Securities and Exchange Commission's Interactive Data Roundtable (June 9, 2006) (setting forth the Institute's recommendations for a new approach to mutual fund disclosure based on greater reliance on the Internet, including providing a concise disclosure document to shareholders, and making the full prospectus and statement of additional information available on the Internet and in paper upon request). Mr. Ernesto A. Lanza September 14, 2006 Page 3 of 4 II. Exclusion of Certain Securities The Release requests comment on whether the "access equals delivery" model should be made available in connection with the sale of municipal fund securities, including interests in 529 plans. The Institute strongly supports increased reliance on electronic disclosure for mutual funds, as well as 529 plans and other municipal fund securities. SEC Chairman Christopher Cox has made clear his commitment to reviewing mutual fund disclosure rules and exploring "how technology can help [the SEC] to advance the goal of better information for mutual fund investors." The Institute is working closely with the SEC to achieve this important goal.<sup>8</sup> We therefore recommend that the MSRB consider the SEC's ongoing initiative as it proceeds with this rulemaking. \* \* \* The Institute appreciates the opportunity to comment on this important proposal. If you have any questions or need additional information, please do not hesitate to contact me at 202/326-5815. Sincerely, /s/ Elizabeth R. Krentzman General Counsel cc: Andrew J. Donohue, Director Susan Nash, Associate Director Division of Investment Management U.S. Securities and Exchange Commission 8 "Commission's June 12 Interactive Data Roundtable to Include Panels on Improving Mutual Fund Disclosures," SEC Press Release (May 8, 2006), available at <http://www.sec.gov/news/press/2006/2006-66.htm>. Mr. Ernesto A. Lanza September 14, 2006 Page 4 of 4 About the Investment Company Institute ICI members include 8,791 open-end investment companies (mutual funds), 652 closed-end investment companies, 195 exchange-traded funds, and 5 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$9.273 trillion (representing 98 percent of all

assets of US mutual funds); these funds serve approximately 89.5 million shareholders in more than 52.6 million households

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