



September 2, 2009

Filed Electronically

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. S7-15-09

Dear Ms. Murphy:

The National Federation of Municipal Analysts (NFMA) is an association of approximately 1,000 credit analysts and portfolio managers involved in the municipal market. The NFMA appreciates the opportunity to comment on Release No. 34-60332; File No. S7-15-09, which discusses the Proposed Amendment to Rule 15c2-12 under the Exchange Act regarding municipal securities disclosure.

Throughout its 26 year history, the NFMA has been an advocate for more thorough and timely disclosure and we commend the SEC's efforts to improve the flow of information. Regarding the Release, we make the following comments:

- We support the revision of the Rule's exemption for demand securities through the application of paragraphs (b) (5) and (c) of the Rule to the offering of demand securities. As discussed by the Commission in the proposed Amendment, variable rate demand obligations (VRDO) securities represent a substantial portion of the municipal market and are utilized as core holdings, in particular, by municipal money funds. As many VRDO issuers are already subject to requirements for continuing disclosure and the posting of material event notices for their fixed rate debt, we believe that also posting this information with their VRDOs will not be a significant burden to them but will provide access to the information to a much broader segment of the market.
- We support the proposal to modify paragraph (b)(5)(i)(C) to require the filing of material event notices in a timely manner not to exceed ten business days. The shorter time frame required for corporate issuers under Form 8-K, while appealing, could pose an undue burden for many municipal issuers.
- We support the proposal to remove the requirement in paragraph (b)(5)(i)(C) for a finding of materiality before triggering a notice to the MSRB for the following six specified events:

- principal and interest payment delinquencies for the subject securities;
- unscheduled draws on debt service reserves;
- unscheduled draws on credit enhancements;
- substitution of credit or liquidity facilities, or their failure to perform;
- defeasances; and,
- rating changes.

We propose removing the phrase "for financial difficulties" from the events above related to unscheduled draws on debt service reserves and credit enhancements as we think the phrase reintroduces an opportunity for the obligor to make a judgment about the situation which we believe the Commission intended to eliminate through removing the requirement of a finding of materiality for each event.

- We support the proposal to remove the requirement in paragraph (b)(5)(i)(C)(6) for a finding of materiality before triggering a notice related to findings of "[adverse] tax opinions or events affecting the tax-exempt status of the security." As discussed in the release, the tax status of tax-exempt debt is of critical concern to many municipal investors, particularly municipal mutual funds who are often governed by requirements to limit their investments to municipal securities. As tax-exempt securities typically yield much less than taxable securities of the same maturity and credit quality, an adverse tax opinion will likely substantially decrease the market value and liquidity of a security. The subsequent sale, if possible, of the affected security could have a significant financial impact on investors.
- We support the addition to paragraph (b)(5)(i)(C) of the following four new event disclosure items as these events will likely always be of importance to retail and institutional investors alike:
 - tender offers;
 - bankruptcy, insolvency, receivership or similar proceeding of the obligated person;
 - the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, as well as the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement related to any such actions; and,
 - the appointment of a successor or additional trustee.

We urge the Commission to require this event notice to include contact information for the new trustee. During the recent market turmoil, investors often had difficulty identifying the trustee for certain securities due to the consolidation in the banking industry which occurred over the last decade.

Additional NFMA Recommendations

The NFMA also requests that the Commission consider the addition of the following event disclosure items:

- The commitment to enter into a swap or swaption with disclosure regarding the terms of the contract to include:
 - the counterparty;
 - the dollar amount and maturity of the contract;
 - the timing of bond issuance under a swaption;
 - the rate formulas for each counterparty;
 - the events under which the contract can be terminated; and,
 - any payments received for entering into a swaption.

- The posting of collateral for a swap due either to:
 - the rating downgrade of the issuer or its credit enhancer; or,
 - the negative mark-to-market value of the swap that exceeds a certain threshold, perhaps the lesser of a specified dollar amount (\$20 million, for example) or a specified percentage of the swap (e.g., 20% of the notional amount of the swap).

The posting of collateral may have a significant effect on the issuer's liquidity that would not otherwise be reported until the next release of financial information which, for many issuers, may be 270 or more days after the end of their fiscal year.

- The commencement and terms of any transaction related to the conversion of "bank bonds" to a loan or term note with the subject bank. The conversion of bank bonds to a term note or loan effectively accelerates the repayment of long-term debt to a short-term, e.g., four to five years, obligation that may have a negative impact on the issuer's financial condition. As discussed above, currently this information may not be disclosed until the release of the next financial statement.

- The termination of a conditional liquidity facility, e.g., a revolving credit facility, if it results in the transformation of the security to long-term debt. As part of its structure a demand security with a liquidity facility which is conditional in nature includes a list of events which trigger its termination either immediately or after a specified time period. After the termination is effected, the demand component of the security no longer exists and the investor then holds a long-term security. The significant transformation of the nature of the security argues that the obligated person be required to notify the market of the change.

Regarding the effective date and transition to the new disclosure regime, the NFMA requests that the new requirements be implemented as quickly as possible after the Commission approves the amendments. While we appreciate the need for some time for the MSRB to make modifications to the EMMA system and for Participating Underwriters to comply with the new Rule, we feel that the time frame should not exceed three months and the MSRB should be encouraged to complete its modifications more rapidly, if possible.

In addition, we have particular concern about the potential for confusion among both issuers and investors created by the existence of two substantially different disclosure

regimes. While we hope that issuers will voluntarily apply the new Rule requirements to all their outstanding parity debt, we are concerned that this will not happen consistently. Given the historically low rates at which some fixed-rate debt is currently being issued, it may not be cost effective for some of that debt to be refunded, and the old disclosure regime may remain in effect for thirty or more years after the adoption of the new Rule. We recognize the difficulties presented to the Commission by this situation, but urge the Commission to pursue any possible strategy to make the adoption of the new Rule apply to all outstanding debt, regardless of its issuance date.

In closing, we believe in the strength and positive benefits of the municipal market which for decades has offered municipal issuers affordable access to the capital markets. We applaud the efforts of the Commission to improve disclosure in the municipal market through the above discussed amendments to Rule 15c2-12. However, we strongly urge the Commission to continue its work in the disclosure arena by turning its attention to the timeliness of annual disclosure filings which currently may be filed as much as nine months after the end of an issuer's fiscal year. After the turmoil in the financial markets which occurred over the past two years, the NFMA believes more firmly than ever that more rapid financial disclosure is critical to all investors in the municipal market. The NFMA strongly recommends that any regulatory changes also focus on improving the quality and depth of information that is provided. We submit that NFMA's well-vetted Recommended Best Practices papers or similar sector-based guidelines are an excellent starting point for that discussion

We appreciate the opportunity to comment on the Commission's proposal, and welcome any requests for further information or discussion of these topics.

Sincerely,

/s/ Lisa S. Good

Lisa S. Good
Executive Director, NFMA



Cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
Martha Haines, Assistant Director and Chief, Office of Municipal Securities
U.S. Securities and Exchange Commission

Lynnette Hotchkiss, Executive Director
Harold Johnson, Deputy General Counsel
Ernesto A. Lanza, Senior Associate General Counsel
Municipal Securities Rulemaking Board