



August 26, 2013

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

**Re: File No. SR-MSRB-2013-06**

Dear Ms. Murphy:

The National Federation of Municipal Analysts (“NFMA”) appreciates this opportunity to respond to the Notice of Filing of a Proposed Rule Change to Amend MSRB Rule A-3 (“A-3”), on Membership on the Board, to Modify the Standard of Independence for Public Board Members. The NFMA is a not-for-profit association with over 1,300 members throughout the United States, and is primarily a volunteer-run organization.

The NFMA’s goals are to promote professionalism in municipal credit analysis, conduct educational programs for our members and other interested parties, promote better disclosure by issuers, and to advocate for good practices in the municipal bond marketplace. The NFMA seeks to educate its members, and by extension, the public at large, about municipal bonds. Our annual conferences are open to anyone wishing to attend. Our *Recommended Best Practices in Disclosure* and *White Papers* are available on our public website, [www.nfma.org](http://www.nfma.org).

The NFMA’s membership is diverse, with individuals working for mutual funds, trust banks, rating agencies, credit providers, independent research groups, and sell-side firms. NFMA membership is open to all analysts because we believe we can learn from one another, and have a great deal of common interest in promoting good practices in the marketplace. The NFMA is not an industry interest group or “lobby”; our board members, although they are employed in the financial services industry, do not represent their firms while they serve on the NFMA board.

The NFMA supports the proposed rule changes to A-3 because we believe the changes will allow for a wider pool of investor applicants to be considered for MSRB Board of Directors (“Board”) membership and potentially increase investor representation.

As A-3 is currently written, someone who is employed at a buy-side firm that is not associated in any way with a broker-dealer is eligible to become an MSRB Board member, but someone who is employed at a buy-side firm that is associated with a broker-dealer is not. Also, employees who work for mutual funds

are largely disqualified from serving on the MSRB Board by virtue of their firms selling 529 College Savings Plans through a broker-dealer. Unfortunately, there is a misperception that an analyst working for an investment firm is somehow beholden to a broker-dealer which is owned by the same parent. In each of these examples, disqualification from participation on the MSRB Board seems to us an arbitrary and unnecessary restriction, especially given that there are already significant regulatory and institutional firewalls between the asset management and banking/underwriting divisions of commercial and investment banks. For example, an employee of an asset management subsidiary of a broker-dealer has a fiduciary responsibility to his or her firm's clients, not to the broker-dealer, and this employee is prohibited in most cases from having any substantive discussions with employees of the broker-dealer. As a second example, a significant number of municipal bond analysts and portfolio managers are CFA Charterholders; the CFA Code of Ethics and Standards of Professional Conduct binds Charterholders to put their clients' interests first.

Although the MSRB is charged with protecting the interest of issuers and investors, currently only two of its 21 Board members are from investment firms. As the current Board is composed there are:

- Ten "Regulated Representatives" from the "sell side" (Securities Firm, Municipal Advisors, and Banks), and
- Eleven "Public Representatives", consisting of :
  - Six public officials, two of whom are currently employed and four of whom are retired,
  - Two institutional investors,
  - Two members of academia,
  - One bond attorney, and
  - No direct retail investors.

The NFMA is of the opinion that the proposed change to A-3 would offer the potential to increase representation for both institutional and retail investors, a large portion of whom have their municipal bonds professionally managed by mutual funds. Individual investors would also benefit, as there is clearly a shared interest among all investors toward greater market transparency and improved disclosure. In conclusion, the NFMA would assert that the adoption of the proposed change to A-3 would be positive by increasing the role that investors would have in the decision making process of the MSRB. We thank you for consideration of these comments.

Sincerely

/s/

Lisa S. Good  
Executive Director  
NFMA

