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March 9, 2012

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: MSRB Notice 2012-04: Draft Interpretive Notice Concerning the Application of MSRB Rule G-17 to Bondholder Consents by Underwriters of Municipal Securities

Dear Mr. Smith:

Thank you for the opportunity to submit comments on the MSRB's Notice 2012-04.

We appreciate the MSRB's efforts to ensure that abusive practices – from all market participants - are identified and eliminated in this market. As the proposed Notice points out, there may be instances where bondholder consents given by an underwriter may be unacceptable practices, that harm bondholders. However, we are concerned that the proposed Interpretative Release could have unintended consequences that would prove harmful to both issuers and investors.

At the outset, it should be recognized that obtaining bondholder consents directly from bondholders of credits with indentures covering many bond issuance over many years is very expensive, given the difficulty of identifying (because of book-entry systems) and communicating with many different bondholders. Obtaining bondholder consents through underwriters may represent the only practical and economical way to obtain such consents.

We support the Los Angeles Metropolitan Transportation Authority's example that they present in their letter to the MSRB on this proposed Notice, that clearly demonstrates that they had appropriate reasons for using an underwriter consent that was beneficial to both the issuer and the investor, yet the situation they describe appears to be included in the example provided of a practice that would violate G-17. We believe that this interpretive notice could be made much more useful by providing granularity through more examples of both unacceptable and unacceptable practices in area of obtaining bondholder consents through underwriters.

While we support MSRB efforts that benefit the market and eliminate abusive behavior, without taking into account the need for a case-by-case review of each instance where this occurs, the Interpretive Notice in practice, could cover more ground than intended, and therefore, would harm issuers and investors.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Susan Gaffney
Director, Federal Liaison Center