



Municipal Securities Rulemaking Board

September 7, 2017

Director of Research and Technical Activities  
Project No. 3-30  
Governmental Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Re: Exposure Draft on Certain Disclosures Related to Debt, Including Direct Borrowings  
and Direct Placements

To Whom It May Concern:

The Municipal Securities Rulemaking Board (MSRB)<sup>1</sup> appreciates the opportunity to comment on the Governmental Accounting Standards Board (GASB) exposure draft on Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The MSRB commends the GASB for its ongoing research and outreach efforts related to this important topic.

As the regulator of the \$3.8 trillion municipal securities market, the MSRB believes that the availability of timely disclosure by state and local government bond issuers of debt and debt-like obligations is essential to foster market transparency and ensure a fair and efficient municipal market. As part of our advocacy efforts, the MSRB has published numerous market advisories calling for more transparency of bank loans, direct purchases and other debt-like obligations, as well as educational documents to assist state and local governments in making information about their bank loans publicly available on a voluntary basis on the Electronic Municipal Market Access (EMMA<sup>®</sup>) website.<sup>2</sup> The MSRB also has supported the SEC's efforts to revisit Rule 15c2-12 under the Securities Exchange Act of 1934 and consider potential amendments to require disclosure of material bank loans, direct purchases and similar forms of

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<sup>1</sup> The MSRB, subject to oversight by the Securities and Exchange Commission (SEC), is the primary regulator of the municipal securities market, and the only self-regulatory organization created by Congress. The MSRB's mission is to protect investors, state and local government issuers, other municipal entities and obligated persons, and the public interest by promoting a fair and efficient municipal securities market. It accomplishes this through the establishment of rules for brokers, dealers and municipal securities dealers and municipal advisors; the collection and dissemination of market information; and market leadership, outreach and education.

<sup>2</sup> See MSRB Resources on Bank Loans and Other Debt-like Obligations, *available at* <http://www.msrb.org/msrb1/pdfs/MSRB-Resources-Bank-Loans.pdf>.

indebtedness used by issuers and obligated persons, as well as the terms and covenants included in those alternative financings.<sup>3</sup>

In an April 2016 letter to the GASB, the MSRB voiced its support of the GASB's reexamination of Statements 34, 38 and 62, and provided as a resource an overview of the MSRB's efforts in promoting voluntary disclosure of information related to direct purchases and bank loans.<sup>4</sup> The MSRB continues to support the GASB's efforts to improve the disclosure in government financial statements of information related to debt. Specifically, the MSRB agrees that state and local governments should disclose key terms and provisions of loan agreements related to direct borrowings and direct placements, and that this information should be presented separately from other debt in the notes to the financial statements. The MSRB believes that such disclosure is necessary for bondholders to assess their current holdings of municipal securities, and for potential investors and other market participants to make informed investment decisions.

As always, the MSRB welcomes the opportunity to serve as a resource to the GASB for information related to the disclosure of bank loans and direct purchases. Please do not hesitate to contact the MSRB with any questions or for additional information.

Sincerely,

A handwritten signature in blue ink that reads "Lynnette Kelly". The signature is written in a cursive style and is positioned above the typed name and title.

Lynnette Kelly  
Executive Director

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<sup>3</sup> See letter from Lynnette Kelly, Executive Director, MSRB ("Kelly"), to Brent J. Fields, Secretary, SEC, dated April 14, 2017, *available at* <http://www.msrb.org/msrb1/pdfs/MSRB-Comment-Letter-SEC-Proposed-Amendments-15c212-April-2017.pdf>.

<sup>4</sup> See letter from Kelly to Dean Mead, Senior Research Manager, GASB, dated April 25, 2016, *available at* <http://www.msrb.org/msrb1/pdfs/MSRB-Letter-to-Government-Accounting-Standards-Board-April-2016.pdf>.