



The National Association of State Treasurers (NAST) and its affiliate State Debt Management Network (SDMN) has reviewed the MSRB's Request for Comment on a Concept Proposal to Improve Disclosure of Direct Purchases and Bank Loans as published on March 28, 2016. We continue to fully support timely disclosure of information that would be material to investors. However, after careful consideration and dialogue within the membership, we strongly oppose this proposal and believe that its implementation would misrepresent the responsibilities of issuers and serve only to magnify the problem of incomplete disclosure.

State and local governments issuing debt in public markets currently make very strong representations that the information they present to prospective investors is comprehensive and timely. Issuers also commit to providing comprehensive and timely disclosure over the life of the borrowing. Shifting responsibility for disclosure to municipal advisors fundamentally confuses the issuers' responsibilities.

An efficient and properly functioning municipal market is strengthened by comprehensive and uniform disclosure practices; however, it is weakened by the dissemination of incomplete information and misleading comparables. In our view, attempting to generate disclosure of Direct Purchase and Bank Loan debt through required reporting by municipal advisors risks the publication of inconsistent information and places these advisors in the difficult position of potentially breaching their fiduciary responsibilities.

In many circumstances, municipal advisors are not involved in the development of bank loans and direct purchases. Under the proposed concept, some issuers' agreements would be fully disclosed, but many issuers' agreements would not. This would result in inconsistent reporting across the municipal market. While the mere existence of the rule would offer the impression of consistency in the minds of interested stakeholders, the underlying actual inconsistencies in the reporting would make it difficult for investors to develop informed opinions, and also potentially lead them to make decisions based on fundamentally flawed data.

Further, in what can often be a complicated market with issuers, bankers, consultants, analysts, and advisors, the relationships between issuers and the limited number of firms that maintain fiduciary obligations to those issuers are now more important than ever. It is the responsibility of municipal advisors to advise issuers with respect to various transactions and projects, and to always maintain the confidentiality of the developmental processes around the eventual transactions or decisions. A regulatory mandate that requires an issuer's fiduciary to report this type of information about that issuer places municipal advisors in the difficult situation of potentially breaching their obligations or damaging the underlying relationship.

For these reasons, the proposal is a misguided attempt to reach issuers through financial advisors and is loaded with potential pitfalls that add additional risk to the municipal marketplace. While unintended consequences are sometimes hard to predict, these consequences are not vague; they will be real and are a certainty.

NAST, along with SDMN, will continue to strongly advocate for complete disclosure of all types of debt obligations, and we appreciate and respect the interest that the MSRB also has in the matter. We cannot, however, support the collection and reporting of information in a way that ignores the fundamental responsibility of issuers and risks the integrity of the data presented.