



## Digital Assurance Certification LLC

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April 21, 2008

Mr. Justin R. Pica  
Uniform Practice Policy Advisor  
Municipal Securities Rulemaking Board

Arlington, Virginia.

Dear Mr. Pica:

Digital Assurance Certification, LLC (“DAC”) is pleased to respond to the request by the Municipal Securities Rulemaking Board (the “MSRB”) for comment on a plan to create a centralized system for the collection and dissemination of critical market information about Auction Rate Securities. As described by the Board, the plan would require dealers that operate auction rate programs to report auction information to a central system operated by the MSRB. Auction results would be required to be reported by no later than 5:00 P.M. Eastern on the day that an auction occurs. The proposed system would display this information immediately on a web site.

DAC initiated its support of the municipal Auction Rate Securities market when the market needed it most. Within four business days of the release of the SEC’s March 14, 2008 no-action letter (the “SEC ARS Letter”), issuers and obligated persons were able to post required information called for under the SEC ARS Letter on the DAC system where it may be viewed by all without charge. As of today, information on 268 auctions has been posted on the DAC site and 15 brokerage firms have established links to the site. DAC’s ability to provide vital support to the municipal Auction Rate Securities Market in such short time is solid proof of the robust nature of the DAC system.

DAC has over 6 years of experience providing continuing disclosure information for issuers and obligated persons of municipal securities to the public at no charge on a “real-time” basis on the DAC website. Since January 31, 2005, DAC has provided MSRB RTRS secondary market trade data to the municipal market, combining both current disclosure and trade data for DAC Bonds in one location free of charge. DAC has developed a robust system of proven reliability with demonstrated ability to serve in implementing the Board’s proposal for collection and dissemination of market information for Auction Rate Securities.

In the request for comment, the Board notes its expectation that Program Dealer(s) would form agreements with third parties, such as the Auction Agent for the issue, or designate a vendor to provide information to the MSRB on the Program Dealer(s)’s behalf and would allow for this under MSRB rules requiring submission of the data. However, the responsibility to ensure timely and accurate reporting of information to the MSRB would remain with the Program Dealer(s). DAC notes that it currently serves as a vendor designated by issuers and



obligated persons providing municipal ARS as called for under the SEC ARS Letter<sup>1</sup> and will easily provide the same service to Program Dealers.

You have asked whether 5:00 P.M. Eastern allow for a sufficient amount of time for Program Dealers to receive auction results from Auction Agents and provide the information to the MSRB. We observe that operating under the SEC ARS Letter, with little notice to develop uniform protocols, Issuers and Obligated Persons have been able to gather and post information similar to what you characterize as “reset rate information” and “bidding information” by the following morning, and in some circumstances, by day’s end. With an ability to develop uniform protocols in advance, Program Dealer provision of information by 5:00 P.M. Eastern on the same day may be achievable. We note that we are not in a position to offer observations on the burdens placed, if any, on Program Dealers under such arrangements.

You have also asked whether there are additional items of information that should be added to “reset rate information” and “bidding information.” We note that under the SEC ARS Letter, the guidance provided calls for, at least two business days before an auction, disclosure of:

- the intention of a Municipal Issuer’s or Conduit Borrower’s intention to bid in that auction,
- the intention of the participating dealers to bid on the Municipal Issuer’s or Conduit Borrower’s behalf, and
- the interest rate(s) and amount(s) of municipal auction rate securities that will be bid for.

In addition, the SEC ARS Letter calls for disclosure of whether the Municipal Issuer or Conduit Borrower intend to bid, directly or through participating dealers, for “nearly all (for example, 90% or more) of the outstanding principal amount of an issue of municipal auction rate securities, and if so, calls for disclosure of the steps the Municipal Issuer or Conduit Borrower intends to take to allow remaining holders to sell their securities to the Municipal Issuer or Conduit Borrower following the auction.

From our inception, DAC has delivered direct, immediate, secure, and verifiable disclosure on a “real time” basis for DAC Bonds at no cost to investors and the municipal market. We welcome this opportunity to provide comment to the Board and look forward to opportunities to work with the Board to improve real time access to disclosure in the municipal securities market, including with respect to municipal ARS securities.

Sincerely,

A handwritten signature in cursive script that reads 'Paula Stuart'.

Paula Stuart,  
Chief Executive Officer

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<sup>1</sup> See Clarification Memo Regarding SEC No-Action Letter of March 14, 2008: “We pointed out that complying with (i) through (vi) [of the SEC ARS Letter] may require a significant effort over an extended period of time. *We asked who the SEC thought should be responsible for this and were told that this is an issuer responsibility*” (emphasis added). SIFMA April 8, 2008, available at: [http://www.sifma.org/capital\\_markets/docs/SIFMA-SECMemo-ARS.pdf](http://www.sifma.org/capital_markets/docs/SIFMA-SECMemo-ARS.pdf).