

August 29, 2012

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

Re: MSRB 2012-40
MSRB Request for Comment on Draft Proposal to Collect 529 College Savings
Plan Data

Dear Mr. Smith,

Financial Research Corporation (“FRC”) commends the MSRB’s goal to evaluate the increase in amount of information about 529 savings plans available to the MSRB for regulatory purposes. We appreciate the opportunity to comment.

For more than ten years, Financial Research Corporation has provided the college savings industry with insight, data, and analysis on 529 savings plans, 529 prepaid plans and other college savings related vehicles. FRC’s “529 College Savings Quarterly Data Update”, “529 College Savings Quarterly Qualitative Update” and “529 College Savings Quarterly Fee Analysis” provide in-depth analysis, commentary, and data on college savings (529 college savings plan and 529 prepaid plan) product, marketing and distribution trends. Each issue features a review of top 529 college savings plans in this space, including data on assets, net flows, performance, expenses, and portfolio characteristics. FRC’s recent research studies on college savings plans include “529 Industry Analysis” (2012), “529 Advisor Perspectives” (2011), “529 Plans and Distribution Analysis” (2011), “Evaluating the College Savings Market Opportunity” (2009), “529 Strategies for Success” (2004), and “529 Plans: An Investment in Your Company’s Future” (2002). The studies contain proprietary industry surveys of advisors, investors and product providers and incorporate FRC’s primary research distilled from interviews with industry executives and state agency public documents.

In MSRB Notice 2012-40, the Municipal Securities Rulemaking Board (“MSRB”) requested public comment on the draft proposal to collect 529 college savings plan data (“529 Plans”) from brokers, dealers, and municipal securities dealers (“dealers”) that act in the capacity of underwriter (commonly known as “primary distributor”) of such plans and to require primary distributors to retain such records pursuant to amendments to MSRB Rule G-8, on books and records, and MSRB Rule G-9, on preservation of records.



In observation of the request for comment, FRC provides the following suggestions and general observations:

- FRC requests quarterly data from 529 savings plan product providers with a requested response date of approximately 30 days from month-end and publishes quarterly reports within 45 days for assets, total accounts and net flows, and 60 days for descriptive information. As we have been collecting this data for the past 11 years, FRC would like to clarify that 529 college savings plan organizations have provided timely, consistent and nearly complete data. Based on FRC's experience in collecting the data, FRC suggests lengthening the response time requirement for primary distributors to the MSRB, given that firms make conversions in their accounting systems and regular maintenance which requires quality assurance across all of their systems. In addition, firms will need time to verify their data as it will be used for regulatory purposes and carry punishments through enforcement per a call on August 9, 2012 with Larry Sandor, Deputy General Counsel of the MSRB.
- FRC provides its data in portable document format ("PDF"), and in other formats upon request. Based on MSRB 2012-40 and as MSRB currently receives all three of FRC's 529 College Savings Quarterly Updates, FRC will provide the MSRB with data in Microsoft Excel going forward unless otherwise requested and until notified via email so as to allow the information to be easily sorted and analyzed for regulatory purposes.
- FRC agrees with the MSRB response in MSRB 2012-40 that requested information would not benefit investors, and potentially confuse them based on misunderstanding of such information and given the lack of context. Therefore, FRC agrees with the MSRB that the data should not be displayed on EMMA.

Thank you for the opportunity to submit our comments regarding the proposal to collect 529 college savings plan data.

Sincerely,

Financial Research Corporation, a Division of Strategic Insight

