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April 7, 2017

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: Comment on Draft Amendments to MSRB Rule G-34

Dear Mr. Smith:

This letter is in response to the request for comments on Draft Amendments to MSRB Rule G-34. As a frequent issuer and market participant, we believe that a rule of this nature imposed on placement agents is inappropriate.

Banks are an important source of credit for the muni market. The Division of Bond Finance believes that the proposed rule will reduce access of issuers to the bank loan and direct purchase markets, reducing an important source of credit for issuers and potentially increasing costs of financing, i.e. interest rates. Direct loans by banks offer issuers an important alternative to publically offered bonds and a potentially cheaper source of financing. If the amendments are adopted, however, many banks would likely not make loans that require CUSIP numbers or must be held in book-entry form, based on the U.S. Supreme Court's "family resemblance test" set forth in *Reves v. Ernst & Young*.

The *Reves* case set out a complicated analysis for determining whether a bank loan should be characterized as a loan or a security for federal securities law purposes. One of those factors is the plan of distribution, that is, whether there is a plan to distribute the loan to others rather than hold the loan to maturity. CUSIP numbers and book-entry form are factors that appear to be establishing a plan to distribute the loan to others and could cause the loan to be a security under federal securities law. Treating the direct placement of a note or bond as a security rather than a loan impacts the banks accounting treatment, capital charges, cost of carry, ratios, etc., adversely affecting banks' willingness to make loans and/or requiring a higher interest rate. Rules imposing regulatory requirements for identification of bank loans that determine the accounting treatment and adversely affect the muni market should not be adopted.

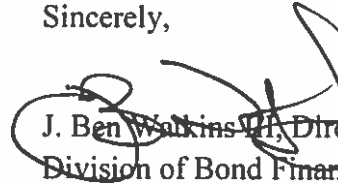
A better approach to increasing disclosure of bank loans is to focus on improving the EMMA system to encourage more voluntary disclosure of direct purchases and bank loans and a standard naming convention for issuers which might assist in identifying bank loan information as

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material to other debt of an issuer. Also, the SEC's proposed amendments to Rule 15c2-12 requiring material events notices for bank loans will meet this objective without adversely affecting the marketplace for bank loans and/or direct placements.

Thank you for your consideration.

Sincerely,



J. Ben Watkins III, Director
Division of Bond Finance