NFMA

March 26, 2012

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Alexandria, Virginia 22314

Via Electronic Mail

Re: MSRB Notice Number 2012-04 – Request for Comment on *Draft Interpretive Notice Concerning the Application of MSRB Rule G-17 to Bondholder Consents by Underwriters of Municipal Securities.*

Dear Mr. Smith:

The National Federation of Municipal Analysts ("NFMA") is a professional association of over 1,200 municipal research analysts with specialized knowledge of municipal finance transactions. These individuals are drawn from a broad cross-section of institutions engaged in municipal bond transactions including broker/dealers, rating agencies, insurance companies, mutual funds, large corporations, and other institutional investors. One of the main initiatives of the NFMA is to promote accurate, timely, and complete disclosure of credit information pertaining to municipal bond transactions. Beyond our efforts on education and disclosure, the NFMA seeks to act as an advocate for good practices in the municipal bond market.

We appreciate the opportunity to comment on Notice 2012-04 ("Notice"). The NFMA is supportive of the spirit of the Notice, in that it attempts to prevent instances in which a consent by underwriters, who are bondholders only because they are underwriting a bond issue, diminishes security of outstanding bondholders.

Generally speaking, municipal bond analysts are averse to changes in security provisions unless these changes are transparent and are accomplished via the intent of the bond documents. An additional consideration is that analysts representing investors frequently request other security enhancements in exchange for consenting to changes requested by an issuer or its representatives. If an underwriter were to consent to a diminution or elimination of certain financial covenants, liquidation of a reserve fund, or otherwise diminish the security or lien position of outstanding bondholders, the outstanding bondholders' position is diminished and they have no effective recourse. As MSRB has noted, changes to bond documents may not seem immediately important, but if the credit were to deteriorate their impact increases.

Moreover, it is important to realize that in the scenario the proposed MSRB rule would address, prospective purchasers of a new bond issue have the freedom to decide whether to buy the new bonds given their security features and other factors. Existing holders of parity bonds do not have the luxury of making this decision; it is in effect forced upon them by an underwriter who holds the debt issue for a very short period.

We recognize that issuers have a legitimate need to update and modernize their bond documents, some of which may have been in operation for decades. Further, we understand the difficulty in obtaining consent of a majority of bondholders. It is important that issuers be able to operate under "state of the art" documents without having to refund all outstanding debt. We therefore suggest that more detail and guidance be provided to help define acceptable thresholds for changes to bond documents.

We thank you for consideration of these comments.

Sincerely

/s/
Lisa Good
Executive Director
NFMA

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