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September 24, 2008

*Filed Electronically*

Ms. Florence E. Harmon, Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: **Proposed Amendment to Municipal Securities Disclosure, Release No. 34-58255, File No. S7-21-08, and MSRB Proposed Rule Change Relating to the Establishment of a Continuing Disclosure Service of the Electronic Municipal Market Access System (EMMA) (MSRB Notice 2008-05)**

Dear Ms. Harmon:

The Vanguard Group, Inc. (“Vanguard”)<sup>1</sup> supports the proposals by the Securities and Exchange Commission<sup>2</sup> and the Municipal Securities Rulemaking Board<sup>3</sup> (“MSRB”) to improve disclosure in the municipal securities markets. As of August 31, 2008, Vanguard funds held \$111 billion in municipal assets, including \$63 billion in municipal bond funds. As one of the mutual fund industry’s largest holders of municipal securities, Vanguard is a strong advocate of proposals that improve access to the highest quality information about the creditworthiness of municipal securities. With the recent turmoil in the financial markets, the perceived flaws in the credit rating system, and the Commission’s recent initiative to curtail the ability of investors to rely on credit ratings,<sup>4</sup> the time is right to give investors better access to better information through a centralized electronic repository for municipal securities continuing disclosure documents.

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<sup>1</sup> Vanguard, headquartered in Valley Forge, Pennsylvania, is one of the world’s largest mutual fund complexes, offering more than 150 mutual funds, with assets of approximately \$1.2 trillion.

<sup>2</sup> See *Proposed Amendment to Municipal Securities Disclosure*, SEC Release No. 34-58255 (July 30, 2008).

<sup>3</sup> See *Notice of Filing of Proposed Rule Change Relating to the Establishment of a Continuing Disclosure Service of the Electronic Municipal Market Access System (EMMA)*, SEC Release No. 58256 (July 30, 2008).

<sup>4</sup> See *References to Ratings of Nationally Recognized Statistical Rating Organizations*, SEC Release No. IC-28237 (July 1, 2008)

## **Vanguard Supports the Proposed Amendments to Rule 15c2-12 Establishing a Single Electronic Repository for Secondary Market Disclosure**

The existing, highly fragmented municipal securities disclosure regime fails to meet the needs of market participants. A comprehensive centralized electronic disclosure system, such as the one outlined in the Commission's proposed amendments to Rule 15c2-12 would address this problem and vastly improve access to the information necessary for informed investment decisions. Vanguard agrees with the Commission that, given the significant advancements in technology and the success of the EDGAR system, conditions are ideal for the establishment of a single centralized electronic municipal securities disclosure repository.

➤ *The current system of multiple repositories is inadequate*

Rule 15c2-12 currently requires the underwriter for a primary offering of municipal securities to determine that an issuer or obligated person will provide certain information, pursuant to a "continuing disclosure agreement," to each nationally recognized municipal securities repository ("NRMSIR"), and the relevant state information depository ("SID"), if applicable. Although multiple locations for filing exist today, issuers often fail to make secondary disclosure with any of them. As a result, investors are forced to search multiple repositories, often in vain, for up-to-date information. The Commission's proposal would replace NRMSIRs and SIDs with the MSRB, creating a single filing location for secondary market disclosures. This single source of information would unify and streamline the existing fragmented system, allowing investors to obtain complete information without having to search for disclosure in multiple locations.

➤ *The MSRB is the appropriate repository for continuing disclosure*

The idea that an official central electronic depository for municipal securities would greatly benefit investors is not a new one. In the early part of this decade an informal municipal securities industry group, the Muni Council, created DisclosureUSA, a voluntary filing venue that accepted continuing municipal securities disclosure and distributed it to all of the NRMSIRs. DisclosureUSA failed for other reasons, but we view the Commission's proposal to designate the MSRB as the single repository for secondary market disclosure as the logical evolution of DisclosureUSA's core innovation. Because of its substantive expertise and SEC oversight, the MSRB is the appropriate organization to maintain the repository. In addition, the MSRB can build the repository quickly onto the existing EMMA system. The Commission's designation of the MSRB as the official repository for continuing disclosure will formally achieve what market participants attempted to accomplish through DisclosureUSA.

- *EMMA should be a searchable, electronic-only repository*

The recent, rapid advances in technology and information retrieval and management make paper filings, still permitted under the existing system, unnecessary and obsolete. Accordingly, if a new centralized electronic repository is successfully developed and implemented, we believe that paper copies should not be filed. If the Commission determines that the EMMA system should retain the capacity to accept paper submissions, we strongly suggest that it include the capacity convert paper filings into an electronic format. Otherwise, the advantages of the searchable electronic repository will be lost.

- *The Commission should address possible confusion over where to file disclosure documents during any transitional period*

Vanguard does have a few reservations about the proposed amendments to Rule 15c2-12. We are concerned that municipal issuers and obligated persons may be confused as to where they should file continuing disclosure documents during the period of transition from the current system to the EMMA system. In addition, the issue of the retention of historical continuing disclosure documents by NRMSIRs must be addressed. To alleviate any transitional confusion, we recommend that the SEC withdraw any “no-action” letters issued to the current NRMSIRs and designate the MSRB as the successor to the NRMSIRs.<sup>5</sup> Alternatively, the Commission could require current NRMSIRs to reject any direct filings following the adoption of the amendments. This would avoid the misfiling of information and serve as notice to issuers that the MSRB is the only repository where continuing disclosure may be filed. Finally, the Commission should ensure that NRMSIRs either retain the historical continuing disclosure documents already filed, and/or formulate a process by which these documents can be transferred to the MSRB (including the option of the issuer/obligated person submitting to EMMA historic documents previously filed with the NRMSIRs). Regardless of what steps the Commission chooses to take, Vanguard believes that any of the concerns discussed above could be addressed during a short transition period, during which issuers and obligated persons could make continuing disclosure filings mandated by Rule 15c2-12 directly to the MSRB. Such a transition period would give market participants time to adjust to the new process.

### **Vanguard Supports the MSRBs Proposal to Expand the EMMA System**

Vanguard applauds the MSRBs proposed expansion of EMMA to include secondary market disclosure. The MSRB’s proposal would expand its EMMA system to be a centralized repository for secondary municipal securities disclosure. Electronic submissions required by rule 15c2-12 would be made publicly available promptly via the Internet. In order to truly be a centralized disclosure repository, however, municipal

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<sup>5</sup> In order to avoid future confusion, it may be ideal to designate the MSRB as something other than a “NRMSIR” under the amended rule.

issuers should be required to make non-periodic filings in EMMA as well as Rule 15c2-12 disclosure.

➤ *CUSIPs and other identifiers should be required in the EMMA system*

In order for the EMMA system to sort and categorize the disclosure documents efficiently and accurately, submissions to EMMA should include specific identifying information. As proposed by the MSRB, information such as the CUSIP number, category of information provided, name of any obligated person other than the issuer, name and date of the document, and contact information for the submitter of the information would be required as identifiers. The ability to search documents using these identifiers, including issuer name and CUSIP, is critical to the useful operation of EMMA. As discussed above, documents filed directly with the NRMSIRs and SIDs under the current system are not required to be labeled with identifiers that enable investors to easily retrieve the appropriate documents. This lack of labeling has often resulted in misfiling by NRMSIRs and the inability to retrieve documentation *even when* an issuer has honored its disclosure obligation under Rule 15c2-12. One of the key accomplishments of the Muni Council and DisclosureUSA was the requirement that all submissions be labeled with the related CUSIPs. The MSRB requirement that *issuers* and *obligated persons* be responsible for providing this is critical to the success of EMMA. This requirement may also serve to highlight which issuers are not complying with their ongoing disclosure obligations.

➤ *Disclosure submitted to EMMA should be immediately available free of charge*

Under the Commission's proposal, the MSRB would be required to file a proposed rule change regarding the fees, if any, it would establish for subscriptions to the EMMA repository. While we would support this process for establishing reasonable fees for EMMA, we believe that providing the information free of charge to investors would best provide access to information in both the primary and secondary market. Such an approach would be analogous to the EDGAR system, under which participants in the corporate securities markets enjoy similar access at no charge. Information provided to the repository should, as with EDGAR, be made immediately available to investors.

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We commend the Commission for addressing the need for improving the availability and quality of municipal securities disclosure and appreciate the opportunity to comment on the proposals. If you have any questions about Vanguard's comments or would like any additional information, please contact me at 610-669-6345.

Sincerely,

/s/ Christopher Alwine

Christopher Alwine  
Head of Municipal Money Market and  
Bond Groups  
The Vanguard Group, Inc.

cc: Honorable Christopher Cox, Chairman  
Honorable Kathleen L. Casey, Commissioner  
Honorable Elisse B. Walter, Commissioner  
Honorable Luis A. Aguilar, Commissioner  
Honorable Troy A. Paredes, Commissioner

Erik Sirri, Director  
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