



Government Finance Officers Association
1301 Pennsylvania Avenue, NW Suite 309
Washington, D.C. 20004
202.393.8020 fax: 202.393-0780

September 24, 2008

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: SEC Release No. 34-58255; File No. S7-21-08

Dear Secretary Harmon:

The Government Affairs Officers Association (GFOA) commends the Securities Exchange Commission (SEC) on proposing changes to SEC Rule 15c2-12 that would create a single, electronic-based repository for continuing disclosure documents. Under SEC Rule 15c2-12, most tax-exempt bond issuers enter into continuing disclosure agreements with the underwriter that call upon the issuer to file annual financial information and material event notices. Currently, in order to comply this requirement, issuers and obligated parties must send information to the four separate Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and, if applicable, State Information Depositories (SIDs). The NRMSIRs charge investors a fee for that information. Therefore, we currently have a system that does not avail itself to send or access information easily. While many governments post financial information and budget documents on their Web sites, in addition to having numerous open meetings where financial information is continuously discussed, investors, especially retail investors, should be able to access free information in one location. The creation of a central repository is best for the market and would simplify the manner in which municipal bond issuers or their designated agents make filings. It also would promote full compliance by issuers with regard to their filing requirements.

While the GFOA supports the creation of a central repository, this letter does not endorse the SEC making any further changes to SEC Rule 15c2-12, or Congress changing or repealing the Tower Amendment. We oppose any actions that would give the SEC authority over municipal securities issuers (including content of disclosure documents), or any regulatory or legislative changes to the municipal securities disclosure or governmental accounting regime.

The GFOA has a longstanding history promoting good disclosure. We published *Disclosure Guidelines for State and Local Government Securities*, which has become the industry standard, in the 1970s. We also led the efforts for an independent governmental accounting standards board that eventually resulted in the creation of the Governmental Accounting Standards Board (GASB) in 1984. The GFOA also continues to adopt policies and recommended practices supporting disclosure, financial reporting and governmental accounting practices. Additionally, the GFOA has worked with marketplace participants representing buyers, bankers, lawyers,

trustees and others to promote better disclosure in the municipal market. These efforts helped create the central post office. We believe that continued discussions amongst market participants is an important element to ensuring best market practices.

Our support for the central repository is strengthened by the proposed regulation to create and maintain a system that is free of charge for issuers and obligated parties to submit and investors to retrieve documents. We would not support a system that imposed fees upon issuers and obligated parties who must submit documents in order to be in compliance with SEC Rule 15c2-12. The SEC has proposed that the MSRB operate such a system by expanding its electronic municipal market access system (EMMA) platform that is currently used for primary market information. We believe that the MSRB has the technical expertise, systems and staff to develop and maintain such a system. EMMA would provide an important new streamlining of access to disclosure and other information to the primary and secondary muni market. The GFOA fully supports this emphasis on using new electronic and Internet technologies to improve access to disclosure. The issuer community and the investor community are continually addressing content and dissemination of municipal market disclosures by means of recommended and best practices. Thus, there is no need for additional rules or regulations on disclosure content from the MSRB or from the SEC. These regulatory agencies should instead focus on improved access to disclosure, for which EMMA represents an important step forward.

A central filing location that uses a uniform cover sheet containing identifying information would allow information to be filed and indexed correctly, help investors and the marketplace retrieve and review information, and make information more accessible. A central repository is the most cost-effective and least burdensome way for issuers to make their disclosure filings. If, however, the SEC chooses not to create a single repository but continues to have multiple repositories, we would strongly encourage the SEC to authorize the creation and mandatory use of a single mailbox platform so that issuers, obligated parties, or their designated agents would only have to file in one location.

The GFOA also encourages the SEC to adopt a central repository that is electronic/Web-based. Allowing for an electronic-only platform would save issuers time and expenses in the long run and should be relatively easy to achieve. We do, however, ask that the SEC allow three to six months before making electronic filings mandatory. This will allow time to educate issuers on their new responsibilities and ensure compliance with the electronic format. If an issuer continues to have difficulty filing electronically, we believe that they can turn to one of the many outside professionals on their finance team to assist them. While some issuers, especially smaller issuers, may have to purchase new software in order to submit electronic documents, the overall and long-term savings that an electronic-based central repository would provide will benefit state and local governments and authorities. The use of a cover sheet that contains identification information such as name of entity and CUSIP number is supported by the GFOA. We would also note that it is imperative for the public to be able to “search” the system not only by CUSIP number but also by the entity’s name.

The Commission asks if the continuing disclosure system should be operated by the MSRB. While the GFOA opposes any regulatory involvement from the MSRB over municipal bond issuers, we believe that the proposal’s sole purpose of having the MSRB operate a system to accept and post disclosure documents does not violate the Tower Amendment. As is noted in

our comments about the EMMA system (File No. SR-MSRB-2008-05), we believe that the MSRB has demonstrated sufficient technical expertise to operate the central repository. For the purpose of these comments, we have focused our attention and support for the system created by the MSRB.

The SEC requests comments on how best to transition to the MSRB as the sole repository, particularly with respect to existing agreements that reference the NRMSIRs. One approach referenced by the SEC is to designate the MSRB as the sole NRMSIR, while withdrawing the no-action letters of the existing NRMSIRs. We prefer the alternative suggestion offered by the National Association of Bond Lawyers, by which issuers would be able to adopt language in a future continuing disclosure agreement that references the central repository for such agreement and all then existing continuing disclosure agreements, thus allowing past CDAs to remain in compliance, even though, technically, those documents refer to NRMSIRs. Additionally, we support NABL's suggestion that the SEC could provide an interpretive release that would allow submissions transmitted to the central repository to be in compliance with the existing agreements entered in compliance with the Rule, similar to what the SEC provided that allowed issuers to make SEC compliant filings at DisclosureUSA as the central post office. Such an interpretive release would also eliminate the need for the central repository to become a NRMSIR.

We were surprised to see within the notice the elimination of the references to SIDs. The SIDs will exist whether Rule 15c2-12 is changed or not, and therefore in order for them to maintain their own systems, we request that the SEC make a special accommodation to have the applicable disclosure information sent to them by the central repository free of charge.

The system also should allow issuers to be able to verify that their submission was made and indexed correctly. We suggest having a "hotline" or other type of mechanism available to issuers or their dissemination agents to rectify any problems associated with a submission.

Efforts should be made to ensure that the central repository, or whatever system is enacted, has essential security features to ensure submissions are made by authorized parties. We commented on this issue to the MSRB (File No. SR-MSRB-2008-05) and ask that an issuer authorize other designated parties before they are allowed to make submissions. We do, however, note that for conduit issuers and borrowers, the system acknowledge and accommodate for the conduit borrower – the obligated party – to make all filings without burdensome approval by the issuer for each submission.

Although the GFOA and other marketplace participants will alert the issuer community of the transition from NRMSIRs to a central repository, there needs to be a three to six month transition period allowed before electronic submissions to the central repository are mandatory. Issuers should be able to make submissions during a pilot period, if one is enacted, and those submissions should be considered to have met SEC Rule 15c2-12 requirements. Without such clarity, issuers would have to also submit documents to the four NRMSIRs, which diminishes the benefit of using the central repository. We would suggest, however, that the SEC consider lengthening the period before issuers must submit native PDF documents from nine months to at least one year.

Since the current system has been in place for 14 years, there may be issuers who will still file with the NRMSIRs after the launch of the central repository. We would ask that the NRMSIRs assist the market by notifying any issuer that submits documents to them after the central repository's launch to send its submissions to the central repository in order to meet SEC Rule 15c2-12 obligations.

We would also suggest that the SEC look at ways to have a certain amount of information currently retained at the NRMSIRs to be transferred over to the central repository in order to better assist investors with retrieving information. The central repository may also wish to obtain the filing index compiled by DisclosureUSA and incorporate it into the system as well. While we do not have any suggestions as to a fair and easy way to do so, we hope that the SEC can work with the NRMSIRs, DisclosureUSA, and the operator of the central repository to create a system that is as beneficial as possible to the investor community.

Conclusion

The GFOA supports amending SEC Rule 15c2-12 solely to allow for the creation of a central repository that is electronically-based and carries no costs to the issuer community. We do not see any disadvantages to submitting documents to only one location. Indeed, we see many advantages for issuers to submit electronic documents to one location and to be able to verify that these documents were submitted and indexed correctly, something that does not occur under the present system. We also think that there are numerous benefits to the investor community, especially retail investors.

The GFOA appreciates the SEC's efforts to create a central repository and supports the changes that are necessary to Rule 15c2-12 to make the proposal a reality. However, we do not support other changes to Rule 15c2-12. Similarly, while we support the proposal to have the central repository administered by the MSRB, we oppose any actions that would give the MSRB any direct or indirect authority over municipal securities issuers. Within the disclosure context, our support for the MSRB is solely related to its administration of a Web-based platform to receive continuing disclosure documents and make those documents available to investors.

Like the DisclosureUSA system, which helped the issuer community tremendously by establishing a central post office for continuing disclosure documents, we hope that the SEC and the party administering the central repository work with the issuer community – and all players within the municipal marketplace – to ensure that they system works well and meets the needs of issuers and investors.

Supporting good disclosure practices remains a top priority for the GFOA. The creation of a central repository goes a long way to help that effort. We look forward to continuing discussions with the SEC and others in order to make the proposed rule a final rule. If any additional issues arise about a central repository, we will submit additional comments for your review.

Sincerely,

// SAG //

Susan Gaffney
Director, Federal Liaison Center