



August 17, 2020

Filed Electronically

Ms. Rebecca Olsen
Director, Office of Municipal Securities
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Follow-up to SEC Spotlight on Transparency: A Discussion of Secondary Market Municipal Securities Disclosure Practices

Dear Ms. Olsen:

I would like to again thank the SEC for organizing its June 16 event on disclosure issues in the municipal bond market and the opportunity for T. Rowe Price¹ to be represented on the buy-side panel. Effective disclosure is always a cornerstone of promoting a well-functioning municipal bond market, particularly during times of stress such as the difficult markets experienced in March and April this year as a result of the global pandemic. T. Rowe Price manages a broad range of municipal bond portfolios, including assets under management of approximately \$24 billion in municipal mutual funds as of June 30, 2020. As a fiduciary to our mutual funds and advisory clients investing in municipal debt, reliable and timely disclosure by municipal issuers is crucial in order to effectively carry out our due diligence responsibilities.

Today, I am writing to share our perspectives on the municipal bond market recommendations² made by the SEC's Fixed Income Market Structure Advisory Committee ("**FIMSAC**") at its February 2020 meeting and recap the views I expressed on the June 16 panel.³

As summarized below, the FIMSAC's recommendations covered five areas:

- **Continuing disclosure agreements ("CDAs").** The SEC should be granted statutory authority to enforce compliance with CDAs and similar obligations.
- **Private liability safe-harbor.** The SEC should be granted statutory authority to provide a safe harbor to municipal issuers from private liability for forward-looking statements if certain requirements are met.
- **Disclosure deadlines.** The SEC should explore ways through which it could make disclosure deadlines for annual financial information and audited financial statements more certain and predictable.
- **Potential SEC disclosure framework.** The SEC should seek public comment about concerns with municipal disclosure and the potential need for the SEC to establish a disclosure framework including timeframe obligations for issuers.

¹ T. Rowe Price Associates, Inc. and its advisory affiliates provide investment management services to numerous individuals, institutions, and investment funds, including the T. Rowe Price family of mutual funds. T. Rowe Price Associates, Inc. and its affiliates have assets under management of \$1.22 trillion as of June 30, 2020.

² See <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-021020-muni-financial-disclosures-recommendation.pdf>.

³ For the avoidance of doubt, the objective of this letter is to highlight our views on the municipal debt market as opposed to discussing disclosure in other contexts such as corporate securities, pooled investment funds, or interests in 529 plans.

- **Issuer awareness of negative implications from inadequate disclosure.** The SEC should explore ways to raise awareness of potential consequences of providing less timely and less robust disclosure (such as investors demanding higher yields).

T. Rowe Price supports each of these FIMSAC recommendations and they are in alignment with the views I expressed on the buy-side panel. One area I highlighted during the panel is that in certain instances, there are disparities in terms of the type or timeliness of disclosures by issuers to public investors versus what ratings agencies and/or holders of the issuer's private debt receive. If the SEC established a disclosure framework for municipal issuers (4th bullet point above), the framework could include a mechanism to close this gap. Along with my fellow panelists, I also spoke of the importance of issuers' producing interim unaudited financial statements and making these available to market participants. T. Rowe Price would welcome the SEC reinforcing awareness that there are potential negative consequences to issuers who do not provide these interim statements or do not release them in a timely manner (5th bullet point above). In addition, interim unaudited financial statements could be an element of an SEC disclosure framework to be developed in the future (4th bullet point above).

An SEC disclosure framework for municipal issuers could also include elements to address another challenge I raised during the panel. Specifically, it is not unusual to see certain disclosures take long periods of time to be issued (e.g., 6 months or longer) because the issuing agency's or entity's financial statements are being consolidated or are otherwise intertwined with other state/local authorities' statements. A well-designed disclosure framework with appropriate accounting standards could modernize and streamline how municipal issuers organize and present their financial information so as to avoid this challenge and improve the timeliness of disclosure.

We believe an improved disclosure framework would provide a host of benefits to a wide range of municipal bond market participants. For example, access to disclosure from issuers that is more frequent, timely, and accurate helps managers discharge their fiduciary duty and promotes long-term ownership of municipal bonds. Improved disclosure also helps with valuation, which is very important to mutual funds, as well as other investors and market participants. We also see improved disclosure benefiting issuers. Issuers that have demonstrated solid reporting capabilities and commit to report on an interim basis increase the demand for their debt at its time of issuance. Strong reporting practices by an issuer also support future liquidity in the issuer's debt, which in turn makes the debt more attractive to investors and other market participants. Ongoing reporting by issuers can also facilitate their ability to, if needed, refinance or modify the terms of their debt obligations in the future. For all these reasons, we believe the SEC should implement the FIMSAC's recommendations.

Thank you for your consideration of our comments. If you have any questions, feel free to contact me at [REDACTED].

Sincerely,

/s/ Hugh McGuirk

Hugh McGuirk, Portfolio Manager & Head of Municipal Team

cc: SEC Fixed Income Market Structure Advisory Committee (file no.265-30)