18 August 2009

United States Securities and Exchange Commission
Via electronic mail

Re: Proposed Amendment to Municipal Securities Disclosure
File S7-15-09

Dear Commission:

My experience as a finance analyst with a municipal issuer in California is the basis for these comments. My responsibilities include continuing disclosure compliance for selected financings issued by that or a related entity.

It would appear that the proposed changes would enhance the quality, clarity and utility of municipal securities disclosure and, with one exception, should not be unduly burdensome to issuers. The exception is the 10-day reporting time requirement for rating changes. For the remainder of the proposed changes the issuer should have foreknowledge of the event and hence should be able to comply with a 10-day requirement.

Even for large issuers, prior to 2007, the costs of compliance with continuing disclosure covenants were nominal. In addition, most of that cost was time spent compiling, preparing and submitting reports of annual operating data. Less time was required for identifying, preparing and submitting event notices for the occasional call, defeasance or rating change. A quality control program to insure compliance with continuing disclosure covenants involved no more than random or annual reviews of publicly available information and a centralized file of submissions.

From 2007, hours and vendor costs have risen dramatically due to mass rating changes that resulted from downgrades of municipal bonds with insurance credit enhancement. Imposition of a 10-day time frame with respect to rating changes would require a further significant increase in time and expenditures for successful rule compliance. Quality control programs would probably involve redundant personnel and rating organization subscriptions to be effective. (An alternative to an internal program would be to contract with a nationally recognized continuing disclosure dissemination organization to provide the service; that, however, would most likely require a substantially greater outlay; a difficult proposition particularly during this time of budgetary constraint.)

From the proposed rules discussion on issuer costs (74 FR 36861): "Accordingly, the Commission preliminarily does not believe that issuers would incur any costs associated with the proposed change to the timing provision of the Rule, *except to the extent that some issuers may need to submit notices more speedily than they do currently and may need to be cognizant of events not within their direct control, such as a rating change, that would prompt submission of an event notice*" (emphasis added). Extent in this instance is at least a doubling of compliance time and subscription expenditures.

Complicating the process, the three top rating organizations do not directly notify issuers, obligors or agents of changes resulting from insurance-based changes. For an issuer or agent to obtain rating change information, they must subscribe to each organization for such services - the quality, design, efficiency and effectiveness of each service vary from poor to fair. For those blanket changes that affect many different issuers, the notice provided to subscribers is nonspecific with respect to the issuer. Filtering that data (that may involve up to hundreds of thousands) for issuer specific securities and then analyzing those to determine if the changes are subject to issuer disclosure is burdensome, time consuming and error prone.

Further, when a rating organization does provide notice of rating changes to a subscriber, the changes, in addition to those that may be relevant, may include unsolicited ratings, derivative products rated but identified with the issuer, secondarily insured issues, and bonds of a defeasance or other products that are not reportable by an issuer under 15c2-12. This further complicates and encumbers the process of an issuer or agent in determining reporting requirements and then preparing and submitting an event notice in a timely manner.

For the foregoing, a 10-day time frame may not at all be feasible with respect to issuer reporting rating changes. Accordingly, it is requested that the time frame for reporting rating changes be set at up to 30 days from the date the issuer knew or should have known of the occurrence.

A better solution to the problems of reporting rating changes is to delete that requirement from rule 15c2-12. In consideration of the importance of rating changes to individual investors, I propose that the Commission adopt a regulatory requirement that rating organizations submit all rating changes directly to EMMA. Then rule instead of an issuer agreement would satisfy the obligations of participating underwriters.

Rating changes reported directly by the rating organizations would improve the timeliness and accessibility of all rating changes to the public. Instead of being limited to rating changes under continuing disclosure agreements, the public investor would have the most prompt access to all rating changes – including pre-rule, unsolicited, derivatives, secondarily insured and other product rating changes.

Lastly, the cost effectiveness of rating organizations developing computer-to-computer filing systems to report rating changes should far exceed the effectiveness and cost of issuer-developed systems.

Thank you for your consideration,

Charles Halgren
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