



April 2, 2012

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

Re: MSRB Notice 2012-10 (March 1, 2012): Request for Comment on a Concept Proposal for Electronic Dissemination of 529 College Savings Plans Disclosure Documents

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB”) Request for Comment on a Concept Proposal for Electronic Dissemination of 529 College Savings Plans Disclosure Documents (the “Proposal”).

I. Executive Summary

As we have in the past, SIFMA fully supports the MSRB’s initiatives to promote improvements in disclosure practices and increased transparency. The MSRB’s Electronic Municipal Market Access System, or EMMA, has been extremely beneficial to investors and other market participants to have market data and primary and secondary market disclosures freely available in a single location. SIFMA supports the MSRB’s concept proposal to permit the dissemination of 529 College Savings Plan (“529 plan”) disclosure documents electronically, as it does for other municipal securities, by brokers, dealers, and municipal securities dealers (“dealers”) serving as primary distributors.

¹ SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

II. Use of EMMA for Electronic Dissemination of 529 Plan Disclosure Documents

SIFMA has long supported the MSRB's efforts to create and expand EMMA – as it has improved market efficiency and facilitated free comprehensive disclosure of municipal securities market data for investors. We believe the efficiencies, benefits to market participants, and cost savings attendant to electronic disclosure are now well established in the municipal market.

Subsequent to the adoption of EMMA, the Securities and Exchange Commission (SEC) adopted new rules designed to simplify information provided to mutual fund investors.² In part, the rules permit mutual fund companies to satisfy their prospectus delivery obligation under the Securities Act of 1933 by sending or delivering a 3-4 page summary prospectus to investors, in lieu of the complete, statutory prospectus, so long as the mutual fund company makes available on the internet, free of charge: (a) the current summary prospectus; (b) the statutory prospectus; (c) the statement of additional information; (d) the fund's most recent annual report; and (e) the fund's most recent semi-annual report. Additionally, upon request, the mutual fund company (or financial intermediary through which fund shares are sold) must send to the customer at no cost, by first-class mail, a paper copy of items (b) – (e) within three business days of the request. These rules have been successfully implemented and welcomed by investors. And we have heard anecdotally, that investors are wondering why disclosure for 529 Plans is not subject to the same regulatory scheme as other mutual funds.

Understanding that the MSRB has no ability to require state sponsors of 529 Plans to prepare summary disclosures, similar to the summary prospectus permitted by the SEC for mutual funds, SIFMA supports a similar disclosure regime for 529 Plans as most 529 Plans consist primarily of underlying mutual fund options, whether as individual portfolios or as part of a particular investment strategy. If the MSRB allows the delivery of a summary prospectus, SIFMA believes it would be helpful to primary plan distributors for the MSRB to standardize such disclosure by developing an industry-wide template that would satisfy dealers' fair dealing obligations under MSRB Rule G-17.

III. Expanded Internet Access and Use of Mobile Devices

SIFMA and its members encourage the MSRB to continue to pursue a policy that would facilitate the use of modern electronic forms of communication. A recent survey by the Investment Company Institute found the number of mutual fund investors with

² See SEC Release Nos. 33-8998, IC-28584 (January 13, 2009).

Internet access had grown considerably since 2000.³ In 2010, 90% of households owning funds had Internet access, up from two-thirds in 2000. Additionally, consumer appetite for mobile Internet is growing rapidly.⁴ Usage habits while on-the-go closely mirror those of home use.

More directly on point to the MSRB's concept proposal:

The Internet has become central to many mutual fund shareholders' management of their finances. About eight in 10 mutual fund-owning households with Internet access went online for financial purposes, such as to check their bank or investment accounts, obtain investment information, or buy or sell investments. In addition, mutual fund owners were much more likely than non-fund owners to engage in common online activities, such as accessing email, obtaining information about non financial products and services, or purchasing products and services other than investments.⁵

Clearly, the Internet has become more integral to people's lives and is changing expectations as to how various types of information is delivered, used, and stored.⁶ As compared to paper disclosure, web-based and other electronic disclosure can be updated more frequently and can be distributed faster by posting to a website or by e-mail. In comments⁷ submitted to the Securities and Exchange Commission (SEC) last month regarding financial literacy among investors, SIFMA requested that the SEC assess the benefits of reducing redundancy of electronic and paper disclosures by allowing a financial services provider to meet disclosure requirements through electronic delivery *unless* a customer does not have electronic connectivity to the financial services provider or declines to accept disclosures through electronic means. Paper and electronic delivery requirements duplicate the cost of delivery and are redundant. Where a customer has access to web-based or other electronic disclosure, and the disclosures are communicated to the customer through her chosen electronic method, we believe that paper disclosure should be provided at the customer's request only, not required as a

³ See ICI Research Fundamentals: Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2010 (September 2010) <http://www.ici.org/pdf/fm-v19n6.pdf> (The "ICI 2010 Report")

⁴ See Sandvine Global Internet Phenomena Report (Fall 2011) http://www.sandvine.com/downloads/documents/10-26-2011_phenomena/Sandvine%20Global%20Internet%20Phenomena%20Report%20-%20Fall%202011.pdf

⁵ See THE ICI 2010 Report at 17.

⁶ See also Peter P. Swire & Kenesa Ahmad, *Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery*, White Paper (June 2011), available at <http://www.peterswire.net/ICI%20white%20paper.pdf>

⁷ <http://www.sifma.org/issues/item.aspx?id=8589938025>

matter of course. If a customer does not have access to web-based or electronic disclosure, or declines to accept disclosures through those means, a financial services provider should be required to deliver paper copies of the disclosure to the customer.⁸ Additionally, at least one public policy group has called for electronic delivery to be the *default* mode for 401(k) statements and retirement plan statements.⁹

IV. Industry Disclosure and Investor Education Practices

The MSRB also requested comment on a variety of issues relating to industry practices and customer preferences for delivery of disclosure documents for 529 Plans. Generally, our members believe that investors in 529 Plans have the sophistication and willingness to access on-line plan documents, and should be allowed to “opt-in” to receiving all account and investment related communications electronically – in fact many would prefer to receive information this way. This is a common and desired means of disclosure for other types of accounts including for other investments, banking, credit cards, utilities, etc.. Hard copy disclosure documents and communications should continue to be sent to only those investors that do not “opt-in” to electronic delivery.

⁸ The Department of Labor endorsed this approach in its revised rules relating to disclosure by pension plan service providers of compensation and potential conflicts of interest. Department of Labor, Reasonable Contract or Arrangement Under Section 408(b)(2)—Fee Disclosure (Feb. 3, 2010), available at <http://www.gpo.gov/fdsys/pkg/FR-2012-02-03/pdf/2012-2262.pdf>.

⁹ See report of the Progressive Policy Institute, When Paper Work Attacks! Five Ideas for Smarter Government (March 2012) http://progressivepolicy.org/wp-content/uploads/2012/03/03.2012-Kim_When-Paperwork-Attacks-Five-Ideas-for-Smarter-Government.pdf

V. Conclusion

SIFMA sincerely appreciates this opportunity to comment upon the concept proposal. SIFMA fully supports the MSRB's initiatives to promote greater disclosure and increased transparency and encourages the MSRB to continue to pursue a policy that would facilitate the use of modern electronic forms of communication. SIFMA further supports the MSRB's concept proposal to permit the dissemination of 529 College Savings Plan disclosure documents electronically, as it does for other municipal securities, by brokers, dealers, and municipal securities dealers serving as primary distributors.

Please do not hesitate to contact me with any questions at (212) 313-1265.

Sincerely yours,

A handwritten signature in blue ink that reads "David L. Cohen". The signature is fluid and cursive, with the first name "David" being the most prominent.

David L. Cohen
Managing Director
Associate General Counsel

cc:

Municipal Securities Rulemaking Board

Lynette Kelly , Executive Director

Ernesto Lanza, Deputy Executive Director and Chief Legal Officer

Peg Henry, General Counsel – Market Regulation

Lawrence P. Sandor, Senior Associate General Counsel