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MSRB Proposes to Refine the Municipal Fund Securities Data it Collects.

PHOENIX - The Municipal Securities Rulemaking Board is seeking comment on a draft plan to refine the data it collects regarding the investment options offered in 529 college savings plans and Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (ABLE) programs.

Both 529 plans and ABLE programs, the latter of which creates tax-advantaged savings accounts for individuals with disabilities and their families, are municipal fund securities. The MSRB regulates dealers that underwrite or sell interests in 529 plans and ABLE accounts. The MSRB first began collecting data about 529 plans in 2015 and will begin collecting data about ABLE programs in 2018 on a Form G-45 under Rule G-45 on reporting of information on municipal fund securities.

The data the MSRB collects, which is not publicly available, can be difficult to decipher under current reporting rules because different plans have different practices.

MSRB executive director Lynnette Kelly said in a release that the board is trying to be able to more accurately monitor these programs and spot potential risks and wrongful conduct.

“Essentially, our goal is to be able to more precisely compare apples to apples,” Kelly said. “Fine-tuning the data we collect will allow the MSRB to make more accurate comparisons across 529 plans and ABLE programs, enhancing our ability to understand and monitor the market.”

There are four main data points the MSRB is looking to either refine its collection of, or get more information from dealers about: program management fees, benchmark return percentages, performance by asset class, and investment option closing dates.

Form G-45 requires that underwriters report the amount of the program management fee assessed by the 529 plan. This fee is usually separately identifiable, but for some 529 plans this isn't the case. Instead, the program management fee is sometimes included in total fund operating expenses assessed by the underlying mutual fund in which the investment option exists. The MSRB is proposing to require dealers to report the program management fee separately on Form G-45.

Dealers are required to report the benchmark return percentage for each investment option offered by a 529 plan for specified periods. The MSRB has found that some investment options use custom or “blended” benchmarks for their performance, making it difficult to make apples-to-apples comparisons across plans. The MSRB is therefore proposing to require an underwriter to a 529 plan or an ABLE account to identify and provide annually the weighted value of each index that make up the benchmark.

G-45 requires that an underwriter report the asset classes in each investment option as of the most recent semi-annual period, but there is no mandate that they provide information about how the asset classes within an investment option are performing. The MSRB is proposing to collect that information to show how a particular asset class is performing on an annual basis.

In addition, sometimes an investment option offered in a 529 plan may be closed to new investors but allow current account owners to continue to invest in it even though it is “closed.” A 529 plan may also close an investment option completely. In either case, the investment option data submitted for that investment option on Form G-45 doesn’t differentiate between the two and can be contrary to analytical expectations, so that the MSRB isn’t able to easily understand why. To clarify that, the board is proposing to require an underwriter to a 529 plan or an ABL program to provide information during each semi-annual reporting period about whether an investment option was closed to new investors or closed completely.

Comments on the draft changes to Form G-45 are due by Sept. 21.

The Bond Buyer

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