

IFAQs (INFREQUENTLY ASKED QUESTIONS)

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Like those in many careers, professionals involved in public finance sometimes slip into jargon and speak in a type of code that may be hard to follow. The use of acronyms, references to arcane technical terms or reliance on little known indexes or formulas may frustrate infrequent market participants and cause them to wonder what was just said and how does it impact their transaction. To assist in making public finance conversations more transparent and easier to understand, we will be providing a series of articles for this newsletter where we offer brief definitions or explanations of infrequently used public finance terms. The intent is to help public finance participants by explaining terms they may not be familiar with or have time to seek clarification of. This edition's infrequently asked questions and the answers include the following:

Q: Who or What is SIFMA?

A: SIFMA is the acronym for the Securities Industry and Financial Market Association. To aid in the liquidity and marketing of variable rate debt SIFMA publishes, every Wednesday, a benchmark floating interest rate for reference during the following week. This is known as the SIFMA Municipal SWAP Index and is commonly referred to simply as SIFMA. The index serves as a benchmark interest rate for floating rate securities and is accepted throughout the industry as the standard 7-day rate. The index is comprised of approximately 650 high-grade, 7-day, tax-exempt variable rate demand obligations that meet specified conditions and limitations. For the week of November 19, 2008 the SIFMA rate was 1.12%.

Q: What is MMD?

A: Thomson Municipal Market Data ("MMD") provides, for a fee, data and analytical services to the municipal bond market. One aspect of their service is to provide information on current municipal bond interest rates for various maturity dates (called yield curves). Information is provided to subscribers for as many as 250 different yield curves for various types of transactions (Revenue Bonds, General Obligation Bonds etc) with a range of rating levels for all fifty states. Therefore, one can determine what are current interest rates, throughout the country, based on a combination of criteria including rating, state location and transaction type. In conversations, traders, bankers and financial advisors often times refer to the MMD and in doing so are likely referring to the latest compilation of interest rates for transactions similar to the one being discussed with the goal of determining current and valid interest rates to assume.



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