



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON, COMPTROLLER  
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## NEWS RELEASE

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### **COMPTROLLER WILSON PROPOSES NEW REPORTING REQUIREMENTS, TOUGHER SCRUTINY FOR EXOTIC GOVERNMENT FINANCIAL TRANSACTIONS**

**NASHVILLE, Tenn.** – Local governments need to go into interest rate swaps and other exotic financial agreements “with their eyes wide open,” Comptroller Justin P. Wilson said today in announcing a new set of proposed guidelines to regulate such transactions.

On May 1, Wilson presented numerous proposed guideline changes dealing with interest rate swaps and forward purchase agreements to the State Funding Board. Wilson then called for public comment on those proposals.

The latest set of guidelines presented to the Funding Board today reflect changes made based on the comments made following the May 1 meeting.

Perhaps the biggest change is a requirement that local governments wishing to enter into such transactions must send representatives to personally appear before the Comptroller to demonstrate they fully understand the risks involved.

That requirement could be waived if a local government can satisfy certain other conditions, including meeting minimum debt requirements, having an adopted capital improvement plan, an audit committee, an accountant and chief financial officer on staff.

“It’s not my intent to prevent cities and counties from entering into these types of transactions if they choose to do so,” Wilson said. “It is my intent to be certain that local governments have the training and expertise to understand what they’re getting into with these deals. We don’t guarantee that some of these transactions won’t carry financial costs for the cities and counties. We do insist that cities and counties understand those costs and risks on the front end.”

Wilson is calling for another 30-day public comment period on the revised guidelines. After that point, Wilson said he expects to present a final draft to the Funding Board for consideration.

“I know this may seem like a slow process, but we’re actually moving very quickly,” Wilson said. “And it’s important to get this right.”

Wilson has also requested public comment on model debt and derivative management policies for local governments, with particular emphasis on variable rate debt. While Wilson set no time limit on receiving public comment, he expects to propose some new guidelines for local government debt management later this year. The draft guidelines can be viewed at:

<http://www.tn.gov/comptroller/lf/lfsfundbd.htm>

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