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MSRB Report Shows Delayed Disclosures, MCDC Impact.

WASHINGTON – The annual average length of time between the end of the fiscal year and the date on which audited financial statements were submitted to EMMA was 448 days in 2014, sharply above the average of 342 days in 2013, a Municipal Securities Rulemaking Board report found.

The new study, released Wednesday, is an update to a similar report the board released in 2013. It is an analysis of issuer financial data submitted to EMMA between January 2010 and December 2014.

The second half of 2014 clearly showed increased filings as a result of the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation initiative, the MSRB said in a release.

The MCDC initiative offered both issuers and dealers a chance to get lenient settlement terms from the SEC if they self-reported any instances during the past five years in which they falsely claimed in official statements to be in compliance with the issuer's self-imposed continuing disclosure agreements. Issuers were expected to bring their continuing disclosures up to date as part of that, including submitting old audited financials to EMMA that had not been previously filed. The submission of those long-delayed documents pushed the average up, the MSRB concluded.

The SEC lacks the authority to directly require issuers to file information before selling securities, but the commission's Rule 15c2-12 requires that dealers seeking to underwrite bonds review issuers' official statements and reasonably determine that the issuers have contracted in writing to disclose annual financial and operating information, as well as material event notices.

The SEC announced the MCDC in March last year The deadline for MCDC voluntary submissions was Sept. 10 for dealers and Dec. 1 for issuers, and the market is awaiting the release of the first wave of settlement agreements.

The MSRB data showed a sharp increase in the submissions of overdue audited financial statements soon after the program began. The data set analyzed for the study includes approximately 145,000 audited financial statement submissions and over 115,000 annual financial information submissions the MSRB received from 2010 to 2014.

"The significantly higher average number of days in 2014 compared to earlier years coincides with a significant increase in the number of audited financial statement submissions to EMMA in the second half of the year," the report found.

Without the delayed submissions being counted, the average time between the end of the fiscal year and the filing of audited financial statements was 200 days in fiscal 2014, virtually the same as it has been every year since fiscal 2010.

The timing of all annual financial information submissions was 374 days in 2014 compared to 261 days in 2013 counting the delayed submissions, but was 188 days for reports submitted within a year of the end of the previous fiscal year. That number is also consistent with past years.

The SEC has repeatedly declined to discuss specifics of either issuer or dealer participation, but market participants have said they believe most dealer firms and thousands of issuers submitted requests to participate in the initiative.

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