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Issuers Giving Themselves More Time to Disclose Financials.

WASHINGTON – Municipal market analysts are concerned that Municipal Securities Rulemaking Board data shows more issuers are giving themselves 270 days after the end of their fiscal years to file annual financial information.

Meanwhile, fewer issuers are taking 180 days to disclose their continuing disclosure information (CDAs) the board said. Issuers with CDAs agreeing to file financials within 180 days of the end of their fiscal years were still the most common in 2016 at roughly 34% of all CDAs. But that is a drop from the roughly 37% of CDAs that had 180-day deadlines in 2012, according to data. CDAs with 270-day commitments climbed to about 27% of all CDAs in 2015 from about 23% in 2011. The percentage dropped slightly in 2016 to 25% from 2015.

The data comes from an MSRB report on the timing of annual financial disclosures by issuers in the municipal market released on Tuesday. The report, which uses submissions to the MSRB's EMMA system and calculates its numbers based on the date of receipt and end of the fiscal year, is an update on similar reports the self-regulator has done in the past.

Julie Egan, chair of the National Federation of Municipal Analysts, said she is "disappointed but not really surprised that the CDA timeframes have lengthened." Richard Ciccarone, president and chief executive officer of Merritt Research Services, also said a longer time before disclosure is disappointing.

"Having current disclosure information is vital to the secondary market and liquidity," Egan said. "The absence of timely information is an impediment for bond purchasers. It can result in bond buyers either looking elsewhere or seeking higher yields to compensate for the lack of information."

Egan, who is a senior vice president and portfolio manager with Community Capital Management, said many issuers are making "prompt and thorough disclosures and are doing a great job," but some are not. NFMA, which has made prompt disclosure a key focus for years, also encourages issuers to post more frequent financial updates on their websites.

"In my opinion, the issuer or their advisors should help look for solutions to provide prompt and full disclosure, not lengthen the reporting requirements to improve compliance with their continuing disclosure agreements," Egan said.

The report also found that it took issuers an average of 311 days to submit their audited financial statements, the least amount of time since 2011 when the average was 307 days. The average number of days to submit audited financial statements spiked in 2014 when the number rose to 447. The MSRB attributes that spike to the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation initiative, under which issuers and underwriters self-reported lapses in issuers' disclosure compliance. Many issuers made efforts to amend their previous disclosures after the MCDC announcement.

Michael Decker, managing director and co-head of munis for the Securities Industry and Financial

Markets Association, said the MSRB's analysis provides a "useful and interesting snapshot of issuer disclosure filing activity" and added that a possible area for further research could be the frequency and severity of delinquent filings among issuers both before and after the MCDC initiative.

Jessica Giroux, general counsel and managing director of Bond Dealers of America said BDA supports the MSRB's continued efforts at enhancing the understanding of issuers of their responsibilities under the federal securities laws.

The MSRB found it took issuers an average of 260 days to file their annual financial information in 2016, which includes information outside of audited statements, such as quarterly data. The 260-day period is far below the 373 days it took issuers on average in 2014.

The MSRB also reported averages for a category of submissions it said excluded "catch-up" submissions, which are made more than a year after the end of a fiscal year to fill in earlier gaps in disclosures. Those submissions were prevalent after MCDC when issuers realized they needed to fix their disclosures. The MSRB said the catch-up submissions can at times skew the data.

The self-regulator found that it took issuers that reported within a year an average of 199 days after the end of the fiscal year to file their audited financial statements in 2016, just under the recent average of 200 days. It took 189 days for issuers that reported within a year to file their annual financial information.

The Bond Buyer

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