Bond Case Briefs

Municipal Finance Law Since 1971

SEC Proposes Rule Amendments to Improve Municipal Securities Disclosures.

Washington D.C., March 1, 2017 — The Securities and Exchange Commission (SEC) today voted to propose rule amendments to improve investor protection and enhance transparency in the municipal securities market.

Rule 15c2-12 under the Securities Exchange Act of 1934 requires brokers, dealers, and municipal securities dealers that are acting as underwriters in primary offerings of municipal securities subject to the Rule, to reasonably determine, among other things, that the issuer or obligated person has agreed to provide to the Municipal Securities Rulemaking Board (MSRB) timely notice of certain events. The amendments proposed by the SEC today would add two new event notices:

> – Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
>
> – Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

"Today the SEC took steps to empower investors by improving their access to current information about the financial obligations incurred by municipal issuers and conduit borrowers," said SEC Acting Chairman Michael S. Piwowar.

These proposed amendments would provide timely access to important information regarding certain financial obligations incurred by issuers and obligated persons that could impact such entities' liquidity and overall creditworthiness.

The public comment period will remain open for 60 days following publication of the proposing release in the Federal Register.

* * *

FACT SHEET
SEC Open Meeting
March 1, 2017

Action

The Commission will consider whether to propose amendments designed to better inform investors and other market participants about the current financial condition of issuers of municipal securities

and obligated persons. Specifically, the proposed amendments would facilitate timely access to important information regarding certain financial obligations incurred by issuers and obligated persons, which could impact an issuer's or obligated person's liquidity and overall creditworthiness and create risks for existing security holders.

Highlights

The proposed amendments to Exchange Act Rule 15c2-12 would amend the list of event notices that a broker, dealer, or municipal securities dealer acting as an underwriter in a primary offering of municipal securities subject to the Rule must reasonably determine that an issuer or obligated person has undertaken, in a written agreement for the benefit of holders of municipal securities, to provide to the Municipal Securities Rulemaking Board within ten business days of the event's occurrence.

Specifically, the proposed amendments would add two new events to the list included in the Rule:

Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.
The proposed amendments also would set forth a definition for the term "financial obligation."

Background

Adopted in 1989, Rule 15c2-12 is designed to address fraud and manipulation in the municipal securities market by prohibiting the underwriting of municipal securities and subsequent recommendation of those municipal securities by brokers, dealers, and municipal securities dealers for which adequate information is not available.

What's Next

The Commission will seek public comment on the proposed amendments to Rule 15c2-12 for 60 days following publication in the Federal Register.

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com