# Bond Case Briefs

*Municipal Finance Law Since 1971*

---

## SEC Forces Cities to Reveal Wall Street Loans With Holdings Surging.

- **Step aimed at addressing concerns bondholders left in dark**
- **Loans to states, localities have nearly tripled since 2010**

The U.S. Securities and Exchange Commission moved to require states and local governments to disclose bank loans and privately placed debt, seeking to address concerns that bondholders are being left in the dark about a fast-growing segment of public finance.

The SEC adopted amendments to a rule, known as 15c2-12, that obligates securities dealers to ensure that municipalities report updated financial information and material events to bondholders. The amendments will force the disclosure of loans incurred by municipalities, loan defaults and changes to financial covenants that affect bondholders within 10 business days.

“Disclosures required by these rule amendments will better equip investors and intermediaries to make informed investment decisions about municipal securities,” SEC Chairman Jay Clayton said Monday in a statement.

Direct lending by banks has proliferated since the financial crisis as states, local governments and non-profits found they could borrow at rates comparable to those on bonds, without the fees or disclosure requirements associated with public-debt offerings. Commercial bank loans to municipalities nearly tripled to $190.5 billion by the first quarter of 2018 from $66.5 billion at the end of 2010, according to the Federal Deposit Insurance Corp.

While investors may eventually learn about a locality’s loans through annual financial reports, the obligations often aren’t reported to regulators or made public immediately. The lag has meant that investors have had to wait months before finding out about new debt. The loan terms can favor banks over other investors and add to a borrower’s financial risk.

The compliance date for the amendments to rule 15c2-12 is 180 days after they are published in the Federal Register.

**Bloomberg News**

By Martin Z Braun

August 20, 2018, 10:49 AM PDT

— *With assistance by Benjamin Bain*

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com