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## **SEC Seeking Comments on Disclosure Rule.**

WASHINGTON - The Securities and Exchange Commission is seeking public comments on the collection of disclosure information under its Rule 15c2-12, but may get proposed revisions to the rule and criticism that its estimated burdens for compliance are unrealistically low, some sources said.

The request for comments, published in The Federal Register Nov. 18, is required by a federal law aimed at reducing regulatory paperwork. Under the Paperwork Reduction Act of 1995, federal agencies are required to publish a notice describing, among other things, the "collection of information", the current estimate of the number of respondents providing the information, annual burden imposed on each respondent, and total burden for all respondents. The law specifies a 60 day comment period. The Office of Management and Budget must approve this collection of information every three years.

But the request comes during a time of intense scrutiny of Rule 15c2-12, which requires dealers to review issuers' official statements and reasonably determine that the issuer has contracted to disclose annual financial and operating information, as well as material event notices, on the Municipal Securities Rulemaking Board's EMMA website. Issuers' OS' must state whether the issuer has complied with its continuing disclosure agreement during the last five years.

The rule is the basis for the SEC's Municipalities Continuing Disclosure Cooperation initiative, which provides both issuers and underwriters with reduced penalties if they fess up to offering bonds under OS' in which they falsely claimed to be compliant with their continuing disclosure agreements.

Earlier this month, Richard Lehmann, president of Miami Lakes, Fla.-based Income Securities Advisor, sent a letter to SEC chair Mary Jo White urging the commission to tighten 15c2-12 so that investors would be better protected from issuers who provide less than fulsome disclosure.

Bill Oliver, industry and media liaison at the National Federation of Municipal Analysts, said the opportunity to comment could set the stage for amendments to 15c2-12. The commission previously amended the rule two times since it adopted continuing disclosure requirements in 1994, with one of those making EMMA the sole recipient of issuer disclosures. But the SEC's 2012 Report on the Municipal Securities Market recommended revising the rule further to require OS' to include more information and mandating that OS' include agreements for more expansive ongoing disclosure.

"It was clearly on the table in the report," Oliver said, adding that this comment period could provide a chance for further discussion on the topic.

The notice includes the SEC's estimates for the burden of compliance with the rule. The SEC estimated that 20,000 issuers, 250 dealers, and the MSRB will spend more than 115,000 hours per year complying with 15c2-12. Issuers will require about 45 minutes to prepare and submit material event notices to the MSRB, the SEC estimated, and about 30 minutes to prepare and submit notices that it had failed to file earlier notices. Roughly 65% of issuers use designated agents to handle the submissions for them, the SEC estimated, and the issuer community probably spends about \$9.75

million each year paying for those services, the commission guessed.

Some market participants took issue with some of the estimates, particularly one that states the broker-dealer community spends only 300 hours annually on compliance with 15c2-12. That would mean an estimate of 1.2 hours per year for each dealer, which sources said seemed extremely low.

The comments can focus on whether the information collected under 15c2-12 is necessary for the SEC to fulfill its mission, as well as on the SEC's estimates and on ways the commission could improve the way the rule works.

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