

# **Bond Case Briefs**

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## **Orrick: Another Round of Favorable SEC Settlements, But Only for Underwriters that Self-Reported.**

The SEC has rolled out its second wave of enforcement actions against 22 municipal underwriting firms for alleged securities violations in municipal bond offerings in connection with its Municipalities Continuing Disclosure Cooperation (MCDC) Initiative. [As previously reported](#), the MCDC initiative was announced in March 2014 to address potential securities violations by municipal bond underwriters and issuers. Under this initiative, the SEC offered favorable settlement terms to those who self-reported by the end of 2014.

On June 23, 2015, the SEC announced that it had reached settlement agreements with 36 municipal underwriting firms in its first round of settlements under this initiative. The SEC's [September 30, 2015 announcement](#) represents its second round of settlements. The SEC found that between 2010 and 2014, the 22 firms violated federal securities laws by selling municipal bonds using offering documents containing materially false statements or omissions about the bond issuers' compliance with continuing disclosure obligations. It also found that the underwriting firms failed to conduct adequate due diligence to identify the misstatements and omissions before offering and selling the bonds to their customers. Without admitting or denying any findings, the firms agreed to cease and desist from similar violations in the future. The firms also agreed to retain independent consultants to review their due diligence policies and procedures.

Since the MCDC Initiative sets a cap on the amount of civil penalties at \$500,000, the firms' penalties ranged from \$20,000 to the maximum \$500,000.

The [SEC has emphasized](#) that issuers and underwriters that did not take advantage of the MCDC program (which expired in 2014) are not eligible for the favorable treatment provided under the MCDC.

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*The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*