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SIFMA Releases White Paper Recommending Improvements to Disclosure in the Municipal Securities Market.

New York, NY, April 12, 2016 – SIFMA today released a white paper on SEC Rule 15c2-12 which offers the industry's current perspective on the existing framework for disclosure in the municipal securities market and suggests ways in which the framework and related guidance for compliance could be improved to result in better disclosure for investors.

"SIFMA has long advocated for improved disclosure in the municipal securities market, and we are leading efforts for the industry to work with regulators on ways to improve the disclosure regime," said Kenneth E. Bentsen, Jr., SIFMA president and CEO. "Markets and market practice have evolved greatly since SEC Rule 15c2-12 was established. The SEC has said they want to revise and update the rule. When they take up this issue, we urge them to adopt our suggestions and revise the rule and interpretive guidance for the benefit of investors and market participants."

The Rule requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds has agreed to provide certain information to the Municipal Securities Rulemaking Board about the securities on an ongoing basis, among other requirements. The Rule was first adopted 26 years ago, with subsequent changes related to continuing disclosure added 21 years ago. While amendments have been put into place since that time, market participants have raised several issues with the rule that may be outdated or could be more efficient.

Among SIFMA's recommendations is a proposal to assign to municipal advisors (MAs) responsibility for checking that statements in offering documents on competitive transactions are accurate when MAs are engaged by issuers to help prepare official statements. Underwriters of municipal securities have a responsibility to perform due diligence with regard to municipal official statements. However, underwriters' due diligence responsibilities on competitive transactions are reduced, since underwriters are not involved in producing official statements in these cases and generally have less time to perform due diligence. In order to ensure official statements are accurate and investors are appropriately protected, a MA should have primary responsibility for performing due diligence on official statements when they help prepare the document.

SIFMA's other suggested changes to the rule include:

- Update the collection of disclosure information to reflect the availability of information on the MSRB's EMMA system, including notification of ratings changes and provision of the final official statement to potential customers;
- Interpreting the "end of the underwriting" period to harmonize with the definition of "primary offering disclosure period" in MSRB Rule G-32; and
- Specifying a date on which annual financial information will be provided and harmonization with continuing disclosure agreements.

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