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Cedar Rapids, SEC Negotiating Settlement Over Federal Securities Violation.

CEDAR RAPIDS — Cedar Rapids officials are negotiating a settlement with the United States Securities and Exchange Commission as part of a nationwide crackdown on securities law violations.

Cedar Rapids self-reported the violation in November 2014 as part of the SEC's Municipalities Continuing Disclosure Cooperation Initiative, which was launched that year. The SEC claims the city violated federal bond disclosure requirements.

Those are in place to guard against fraud by providing information to investors considering municipal bonds, which cities issue to pay for a variety of functions and construction projects.

The SEC's disclosure initiative covers bond transactions dating back to September 2009, according to a city document briefing the City Council on the matter. However, city spokeswoman Maria Johnson said on Friday the 2007 and 2008 filings were late, prompting the self-reporting.

The City Council last month approved for City Manager Jeff Pomeranz to "negotiate, approve, and make the offer of settlement" to the SEC.

The city self-reported its violations in November 2014 in advance of a Dec. 1, 2014 reporting deadline set forth in the SEC initiative.

According to the SEC, bond issuers are required to provide continuing disclosure about "its financial condition and operating data," and disclose if they've failed to comply to previous commitments for disclosure.

Johnson said the settlement is being handled by city and SEC attorneys, similar to litigation, and as such the communications are considered confidential. She said more details will be released when the settlement is final. The SEC did not have a formal timetable for a decision, but it is expected soon, she said.

The city outlined the parameters for its settlement, which is consistent with an overview of the initiative by the SEC.

"Settlement will include consenting to adopting written policies and procedures and periodic training related to continuing disclosure obligations, comply with existing continuing disclosure undertakings, and disclosure of the terms of its settlement with the SEC in future bond offering materials," according to the city briefing.

SEC in its overview states its enforcement division would recommend no fine for self-reporting municipalities, but no assurances are provided for municipal officials "if they have engaged in violations of the federal securities laws."

The Government Finance Officers Association of the United States and Canada has been providing

briefs about the initiative for its members. The association noted last month the SEC is requesting an “extraordinarily short turnaround for the settlements” once offered, as few as five to 10 days.

In February, the association stated as part of a similar crackdown in the private sector, 72 broker and underwriter firms paid more than \$18 million over three rounds of settlements “for failing to identify misstatements and omissions before offering and selling bonds.” The association said it wasn’t clear how many issuer settlements it was pursuing.

The SEC declined to comment, through its press office.

by B.A. Morelli

The Gazette

Jul 8, 2016 at 10:01 pm

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