

# **Bond Case Briefs**

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## **Muni-Bond Buyers Shouldn't Expect Financial Reports Anytime Soon.**

- Audited statements arrive an average of 199 days after year
- That's more than three times longer than big corporations

For municipal-bond investors looking for yearly financial updates from the cities and states in their portfolios, the wait times aren't getting any shorter.

It took the debt issuers an average of 199 days last year to file their annual reports with the Municipal Securities Rulemaking Board, according to a report released by the regulator. That's three days longer than it was in 2015 and little changed from the 200-day average during the last seven years. The figures exclude those that were filed after more than a year.

The lag has been a perennial source of complaint to investors in the \$3.8 trillion municipal market, where regulations are more relaxed than those imposed on private corporations.

When raising money in the bond market, state and local issuers agree to make annual disclosures, though the timing of those commitments can vary. While about one-third agree to post audited financial statements within 180 days, about one-quarter have nine months to do so, according to the rulemaking board. By comparison, the U.S. Securities and Exchange Commission gives big companies a deadline of two months.

The SEC, which regulates municipal disclosure only indirectly through its power over underwriters, has stepped up enforcement in an effort to improve it. In 2014, it extended an offer of leniency to banks and governments that voluntarily reported misleading investors about their compliance with the disclosure obligations, resulting in settlements with dozens of issuers and underwriters.

That seems to have had an impact on some scofflaws: The MSRB said the SEC initiative led to a spike of disclosures for previous fiscal years. If such catch up submissions are included, the figures look even worse, with financial reports coming an average of 311 days after the close the year in 2016.

### **Bloomberg**

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February 15, 2017, 9:29 AM PST