

# **Bond Case Briefs**

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## **MSRB Publishes Market Advisory on Selective Disclosure.**

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today [published a market advisory](#) to increase awareness among issuers of the importance of disclosing material information fairly, equitably and in the public domain. The practice of “selective disclosure” creates an information imbalance that favors a limited group of bondholders, which may include analysts for investment banking firms, investment advisers or institutional investors, who are given access to material information that others do not have.

“Issuers of municipal securities and their financial professionals share a responsibility to protect the integrity of the municipal market by making full and fair disclosures to all investors,” said MSRB Executive Director Lynnette Kelly. “When selective disclosure occurs – often inadvertently – certain investors can be disadvantaged. The MSRB is a resource for issuers and their financial professionals seeking to implement practices to ensure that all investors and stakeholders have equal access to the same material information from the issuer in a timely manner.”

Question-and-answer sessions during investor conference calls and invitation-only meetings with analysts are common scenarios in which selective disclosure could arise, according to the MSRB advisory. “These types of events are not inherently problematic,” says Kelly. “However, issuers should make it a practice to consider whether material nonpublic information was shared in these circumstances and take steps to make that information public promptly after the event,” Kelly said.

Selective disclosure, while not unique to the municipal market, is specifically prohibited in the corporate market under Securities and Exchange Commission Regulation Fair Disclosure (FD). Municipal issuers are not subject to Regulation FD, but the MSRB’s advisory cautions about the potential for federal fraud liability if, for example, known material information is omitted from required public disclosures. Further, if an investor were to make a trade based on improperly disclosed material nonpublic information, that could constitute insider trading.

The MSRB joins other municipal market participants in drawing attention to the practice of selective disclosure, including the Securities and Exchange Commission’s Office of Municipal Securities, the National Federation of Municipal Analysts and the Government Finance Officers Association.

[Read the MSRB’s market advisory.](#)

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