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GFOA: New Amendments to SEC Rule 15c2-12

In August, the Securities and Exchange Commission approved new Amendments to Rule 15c2-12. This Rule governs disclosure requirements associated with municipal securities.

The new Amendments, effective February 27, 2019, are an effort to provide additional financial information to investors where an issuer may have material financial obligations that could impact bond holders. Governments will have to state in continuing disclosure agreements entered on or after the effective date that they will disclose to the market any new and material financial obligations and notify the market when an outstanding or new financial obligation reflects material financial difficulties.

Material financial obligations are related to debt and debt type products and not normal business operations. The types of financial obligations that are captured under the Amendments include: bank loans, capital leases, swaps, variable rate obligations, and other types of financial products that “operate as vehicles to borrow money.”

Issuers of municipal debt should start preparing now for the changes that will need to be in place by February 27. The most important first step would be to talk with bond and/or disclosure counsel about how these changes specifically relate to your debt program and future bond issuance and other financial transactions. Issuers should also review their debt management and disclosure policies and consider adding new provisions to address the Amendments, including:

- creating a master list of all current financial obligations including, but not limited to, bank loans, capital leases, derivatives, as well as any guarantees of these types of obligations,
- developing a system to track any financial difficulties related to these obligations,
- having a process in place to add new financial obligations, and
- working with counsel to determine materiality of your financial obligations and when financial difficulties may arise.

The GFOA will be developing additional resources to help issuers prepare for these new responsibilities. This includes a webinar about the new Amendments and what they mean for issuers that will be held on Wednesday, January 9 (additional details forthcoming). Also, the SEC will be hosting a conference on December 6, that will be available via [webcast](#), on Municipal Securities Disclosure in an Evolving Market.

Governments should also review resources available from the GFOA, NABL, and law firms about issuer debt management programs and the new 15c2-12 Amendments.