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The New 15c2-12 Event Requirements – A Practical Approach to Underwriter Due Diligence: Gilmore Bell

The recent amendments to SEC Rule 15c2-12 (the "Rule"), which must be incorporated into continuing disclosure undertakings effective on or after February 27, 2019, have caused municipal underwriting firms to review existing due diligence processes and procedures. In this post, we provide a proposed approach to due diligence for the new aspects of the Rule that we believe would satisfy underwriters' obligations under federal securities laws. We think a reasonable approach will, consistent with the SEC's purposes, promote increased disclosure of and about "financial obligations," without adding unnecessary costs and burdens to municipal issuers.

Some municipal market groups have suggested that issuers create and maintain lists of material financial obligations to promote compliance with the new event notice requirements. While we believe these lists may be helpful to certain issuers, particularly certain large issuers, we do not believe underwriters need to require issuers to maintain lists solely for the purpose of satisfying underwriters' due diligence responsibilities, for the reasons discussed below.

For background on the recent amendments to the Rule, see the following:

Continue reading.

by William D. Burns, Richard M. Wright, Jr. | Feb 19, 2019

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