

Bond Case Briefs

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Brokerage Firm Settles Charges for Violations of Muni "Private Placement" Requirements.

A brokerage firm [settled](#) SEC charges for failing to comply with the disclosure requirements under Exchange Act Rule 15c2-12 ("Municipal securities disclosure") when acting as an underwriter in connection with multiple limited offerings of municipal securities.

According to the Order, the SEC found that the firm offered municipal securities in reliance on the limited offering exemption under Rule 15c2-12. The exemption would have permitted the firm to make the offerings without Rule 15c2-12's "continuing disclosure undertaking." The SEC said that to qualify under the limited offering exemption, a firm is required to limit the distribution to (i) no more than 35 persons, (ii) persons who hold the requisite financial experience and knowledge and (iii) persons who are not purchasing for multiple accounts or intending to distribute. The SEC found that for 36 limited offerings, the broker-dealer sold these securities without first forming a reasonable belief that these requirements were met.

The SEC determined that the firm violated Exchange Act Rule 15c2-12, Exchange Act Section 15B(c)(1) ("Municipal securities") and MSRB Rule G-27 ("Supervision"). To settle the charges, the firm agreed to (i) cease and desist, (ii) a censure, (iii) a civil monetary penalty of \$100,000 and (iv) disgorgement of \$81,362 with an additional \$16,961 in prejudgment interest.

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