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Remarks at the 2023 SEC Municipal Securities Disclosure Conference - Commissioner Jaime Lizárraga

Thank you, Adam [Allogrimento], for that kind introduction. I would also like to thank Dave Sanchez, director of the Office of Municipal Securities, and SEC Chair Gensler for convening today's conference. To OMS staff and all of today's panelists, thank you for contributing your time and expertise.

The market for municipal securities plays a critical role in U.S. capital markets and in our economy. State, city, local, tribal, and territorial governments and other jurisdictions depend on the securities they issue to finance their priorities - hospitals, roads, schools, affordable housing, and other infrastructure. A well-functioning municipal market benefits issuers through lower borrowing costs. The public also benefits through lower project costs and fees.

The municipal securities market is primarily a retail market. Of the \$4 trillion in outstanding municipal bonds at the end of 2022, 40 percent were held by individual investors. An additional 26 percent were held by mutual funds. Protecting these retail investors and ensuring full and effective disclosure in a market as large, diverse, important, and complex as the municipal securities market is an important goal.

As you covered in this morning's panel, President Biden signed into law the Financial Data Transparency Act, or FDTA, included in the National Defense Authorization Act of 2022. The FDTA was designed to update the standards for data collection and dissemination by financial regulators. The goal was to make financial data more accessible and uniform, and more useful to investors and other market participants. It also requires the federal financial regulators to pursue interoperability across agencies to streamline compliance. This congressional mandate requires financial regulators to engage in a joint rulemaking to achieve these goals.

The FDTA requires the SEC to consult market participants in establishing data standards for the municipal market. Constructive, consistent and extensive engagement between the Commission, issuing jurisdictions, investors, and advocates can yield effective standards that provide more accessible and useful information to investors.

Congress gave the SEC, and the other federal financial regulators, two years to develop and publish data standards through a joint rulemaking. After those standards are finalized, the SEC will have up to two more years to issue rules for municipal securities. This means that municipal issuers and other market participants may have up to four years to prepare before any data standards adopted under FDTA are issued. Moreover, any SEC structured data rule will be subject to notice and comment rulemaking. I encourage all stakeholders in the municipal market, including investors, advocates and issuers, to participate meaningfully and constructively in the rulemaking process.

The FDTA allows for scaling of disclosure for smaller issuers - state, local, tribal, and territorial governments and other relevant authorities. This flexibility may address some of the concerns about costs for smaller municipal issuers.

In addition to your discussions on FDTA, it is encouraging that you have panels focused on meaningful and effective voluntary disclosures related to ESG and cybersecurity.

We have seen strong demand from investors for ESG disclosures that incorporate comparability and robust metrics. In the absence of these effective disclosures, the result is inconsistency and lack of comparability. Aiming for the highest-quality, most investor-useful information regarding ESG risk disclosures is good for investors and for the municipal securities markets.

Your perspectives on best practices for cybersecurity disclosures for municipal issuers are also important. The SEC has proposed a set of cybersecurity rules. Similar to our ESG rules, these proposed rules will not apply to municipal issuers. But there is significant overlap between the emerging cyber risks these rules are designed to address and the risks facing municipal issuers, who operate in an environment where cyber incidents are growing in frequency and sophistication.

Cyberattacks and data breaches can cause irreparable and irreversible damage to individuals whose personal information is compromised and/or stolen. They may also impose significant costs on municipalities. In light of this, effective disclosures regarding cybersecurity practices protect investors, ensure that an issuer's critical systems are secure, and instill confidence that issuers have taken steps to mitigate identified cyber risks. Timely disclosures to the public regarding significant cybersecurity incidents and to individuals if their personal information is compromised are also critical.

Thank you again for your participation in today's conference, and for your contributions to this important market.

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