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Remarks before the Municipal Securities Disclosure Conference - Chair Gary Gensler

Good morning. It's a pleasure to welcome you to the Securities and Exchange Commission's Municipal Securities Disclosure Conference—our first in nearly three years.

I'd like to start with a disclosure of my own: My views are my own as Chair of the SEC, and I am not speaking on behalf of my fellow Commissioners or the staff.

On May 27, we will mark the 90th anniversary of the Securities Act of 1933, the first of the federal securities laws.

When President Franklin Roosevelt signed that law, he understood that our capital markets work best if investors get to decide which risks to take as long as issuers raising money make what Roosevelt called "complete and truthful disclosure."

Our capital markets depend, ultimately, on the trust that full, fair, and truthful disclosure helps to build. As Roosevelt put it: "Those who seek to draw upon other people's money must be wholly candid regarding the facts on which the investor's judgment is asked."[1]

When crafting the federal securities laws, Congress and Roosevelt also understood the importance of the bond markets. Among the many terms they included within the definition of a security were "bond," "note," and "debenture."[2]

With a focus on protecting investors in the bond markets, Congress later passed the Trust Indenture Act of 1939. One might say it's like the Rodney Dangerfield of the securities laws: important, and discussed not often enough.

Initially, municipal securities were exempt from many of the federal securities laws except with respect to antifraud protections.

Things changed, however, in 1975, after New York City nearly went bankrupt. Congress acted by establishing a regulatory scheme for intermediaries in the municipal securities markets, requiring broker-dealers in these markets to register, and creating the Municipal Securities Rulemaking Board (MSRB).

Based on these authorities, in 1989 the Commission adopted—and as recently as in 2018 amended—Rule 15c2-12.[3] The rule ensures that those acting as underwriters of municipal securities confirm that issuers agree to make continuous disclosures to investors, and that the disclosures are available in a manner designated by the SEC.

Further, under the rules, brokers must confirm that issuers agree to make disclosures with respect to official statements, annual financial information, and 16 relevant material events. These important disclosure rules both help protect investors and facilitate capital formation by municipal issuers.

We also have a role as a cop on the beat. We recently charged four underwriters for disclosure-related violations while offering municipal bonds.[4]

Given that markets, technology, and business models continue to evolve, it's helpful to hear from this conference today about ways to enhance disclosure in this part of the markets.

I look forward to hearing from the panel talking about voluntary disclosures. Such disclosures can help build greater trust in the marketplace. That can benefit investors as well as lower the cost of capital for issuers.

I am also pleased you will have the opportunity to discuss the Financial Data Transparency Act, which became law late last year.

Overseen by the SEC, the MSRB maintains an important data repository for the municipal markets. I think, though, that it could benefit investors, issuers, and markets alike when we consider ways to enhance the efficient submission and processing of data in these markets. Further, it helps ensure that the public has ready access to that data.

Before I close, I'd like to note how critical this $4 trillion market is. It provides access to the markets for local governments to provide basic services for their communities—building roads, schools, parks, bridges, hospitals, and more.

While the SEC oversees more than 7,000 public company issuers, there are around 50,000 municipal securities issuers.[5] Strikingly, there are approximately one million different outstanding municipal securities—more than 30 times the number of outstanding corporate bonds.[6]

We at the SEC benefit from your participation today, and your continued engagement with our Office of Municipal Securities.

Thank you.

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[1] See Franklin D. Roosevelt, "Statement on Signing the Securities Bill" (May 27, 1933),available at https://www.presidency.ucsb.edu/documents/statement-signing-the-securities-bill.

[2] See "Securities Act of 1933,"available at https://govtrackus.s3.amazonaws.com/legislink/pdf/stat/48/STATUTE-48-Pg74.pdf.

[3] See Securities and Exchange Commission, "SEC Adopts Rule Amendments to Improve Municipal Securities Disclosure" (Aug. 20, 2018), available at https://www.sec.gov/news/press-release/201--158.

[4] See Securities and Exchange Commission, "SEC Charges Four Underwriters in First Actions Enforcing Municipal Bond Disclosure Law" (Sept. 13, 2022), available at https://www.sec.gov/news/press-release/2022-161.

[5]See MSRB, "Self-Regulation and the Municipal Securities Market" (Jan. 2018),available at https://www.msrb.org/sites/default/files/MSRB-Self-Regulation-and-the-Municipal-Secu-ities-Market.pdf

[6] See MSRB, "Muni Facts: Municipal Market by the Numbers" (Sept. 2022), available at https://msrb.org/sites/default/files/2022-09/MSRB-Muni-Facts.pdf.

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