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Broker-Dealer Group Plans to Ask SEC to Exclude Munis from 'Asset-Backed Security' Definition.

The Securities and Exchange Commission has asked for comments on whether the definition of “asset-backed security” should be revised, and at least one broker-dealer group thinks it should specifically exclude municipal securities.

“We will ask the SEC to exclude municipal securities from the definition of asset-backed securities,” said Michael Decker, senior vice president for research and public policy at the Bond Dealers of America.

BDA was one of six groups representing the muni market that in a Nov. 14 letter asked the SEC to extend the comment submission deadline for its “Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration,” which the agency issued on Sept. 26.

The letter, which referenced the recent federal government shutdown, in a footnote suggested Jan. 12, 2026, as a potential alternative to the current Dec. 1 deadline for comment submissions.

“As stakeholders representing the municipal market, we enjoy and appreciate the opportunity to consult with market experts and SEC staff to understand how best to reply to proposals such as the Concept Release,” the groups said in their letter, which added that they were “denied such an opportunity” during the shutdown.

The commission published the concept release “to solicit comments on whether to amend the asset-level disclosure requirements for residential mortgage-backed securities in Item 1125 of Regulation AB and whether to revise generally the definition of ‘asset-backed security’ and/or other definitions in Item 1101 of Regulation AB,” the release said.

The SEC “is considering these steps to expand issuer and investor access to the registered asset-backed securities markets and facilitate enhanced capital formation and liquidity while maintaining appropriate investor protections,” the release said.

“What we plan to tell the SEC is that municipal securities in general shouldn’t be subject to Reg. AB,” Decker said. “There are elements of the rule that arguably apply to certain municipal securities and we want the SEC to make it clear that the rule doesn’t apply to any municipal securities.”

Municipal securities are exempt from federal registration requirements in the same way that agency securities are, “and agency securities are exempt from most Reg. AB requirements,” he said.

“In addition, municipal securities have the protection of the Tower Amendment, which prohibits the SEC from directly imposing disclosure requirements on municipal issuers, and that plays into this as well,” Decker said.

The SEC in 2004 adopted Reg. AB, “establishing for the first time a comprehensive registration,

disclosure, and ongoing reporting regime for” asset-backed securities under the Securities Act of 1933 and the Securities Exchange Act of 1934, the concept release said.

In 2014, the SEC “adopted significant revisions to its registration, disclosure, and reporting regime for” asset-backed securities, including amendments to Reg. AB, in part to implement several Dodd-Frank Wall Street Reform and Consumer Protection Act mandates, the release said.

“The Dodd-Frank Act added a new statutory definition of ‘asset-backed security’ and included mandates for the commission to adopt rules and regulations intended to address concerns in the securitization market including, in relevant part, a lack of transparency about the assets underlying [asset-backed securities],” the release said.

In addition to BDA, the five other groups that in the Nov. 14 letter asked the SEC to extend the comment submission deadline were the Government Finance Officers Association, the National Association of Bond Lawyers, the National Association of Health and Educational Facilities Finance Authorities, the National Association of Municipal Advisors and the Securities Industry and Financial Markets Association.

By Kathie O’Donnell

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