Bond Case Briefs

Municipal Finance Law Since 1971

The Impact of Regulatory Leniency on Compliance: Evidence from the Municipalities Continuing Disclosure Cooperation Initiative.

Abstract

We examine how the SEC's 2014 Municipalities Continuing Disclosure Cooperation initiative (MCDC) affects disclosure compliance in the municipal bond market. The MCDC granted favorable settlement terms to municipal debt issuers and underwriters who voluntarily self-reported having violated SEC disclosure requirements. Although underwriters participated widely, most municipal issuers did not participate in the MCDC initiative despite having publicly observable disclosure violations.

We find that, after the MCDC, official statements were less likely to contain false claims about past compliance—particularly when underwriters had participated—suggesting improved underwriter oversight of the initial bond offering. However, contrary to the SEC's intention, we observe a 9 percent post-MCDC decrease in issuers' compliance with continuing disclosure requirements compared with a control group of voluntarily disclosing issuers.

Our findings provide no evidence that the MCDC improved continuing disclosure compliance; rather, the MCDC may have instead exacerbated noncompliance by exposing the weaknesses of the existing regulatory regime.

Continue reading.

ebsco.com

Authored by: Maffett, Mark G.; Samuels, Delphine; Zhou, Frank S.

Published in: Accounting Review, 2025, v. 100, n. 6. P. 197

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com