

NEWS ALERT

SECURITIES GROUP



SEC Approves Amendments to Disclosure Rules for Municipal Securities

By Edward B. Whittemore | August 22, 2018

On August 20, 2018, the SEC approved [amendments](#) to Exchange Act Rule 15c2-12 – first proposed in March 2017 – which are intended to better inform investors about the current financial condition of state and local issuers of municipal securities, thereby promoting more informed investment decisions when investors trade in the secondary market. The amendments are focused on issuers’ material “direct placements,” i.e., direct bond or direct loan financings conducted by municipal issuers with increasing frequency during the past decade as an alternative to traditional public offerings.

Specifically, the amendments add two new triggering events that require issuers to make public disclosure under the Rule within ten business days:

- Any incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

Under the amendments, the term “financial obligation” means (i) any debt obligation (including a lease arrangement that operates as a vehicle to borrow money); (ii) any derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) any guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board (MSRB) consistent with Rule 15c2-12.

The SEC decision to amend Rule 15c2-12, designed to ensure the public availability of certain disclosures about municipal securities, means that additional information about bond issuers will be available on the MSRB’s Electronic Municipal Market Access (EMMA®)

The amendments will impact only those issuers whose continuing disclosure agreements are entered into in connection with offerings occurring on or after the compliance date for the amendments.

website, which has for years provided public access to municipal bond trade price, official statement and other disclosure and related information. The amendments will impact only those issuers whose continuing disclosure agreements are entered into in connection with offerings occurring on or after the compliance date for the amendments – which date will be 180 days after publication of the final rule in the Federal Register.

If you need additional information concerning the recent amendments to the SEC's Rule 15c2-12, or municipal finance matters generally, please contact any of the following members of the Murtha Cullina LLP Business and Finance Department:

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