

## Press Release

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# SEC Adopts Rule Amendments to Improve Municipal Securities Disclosure

### FOR IMMEDIATE RELEASE

**2018-158**

*Washington D.C., Aug. 20, 2018* — The Securities and Exchange Commission adopted amendments to enhance transparency in the municipal securities market. The adopted amendments to Rule 15c2-12 of the Securities Exchange Act will focus on material financial obligations that could impact an issuer's liquidity, overall creditworthiness, or an existing security holder's rights.

"Our municipal securities market is a \$3.844 trillion dollar market, with new issuances of approximately \$448.1 billion in 2017. Our Main Street investors are exposed to this market through many channels, including through mutual funds, money market funds, closed-end funds, and exchange-traded funds," said Chairman Jay Clayton. "Disclosures required by these rule amendments will better equip investors and intermediaries to make informed investment decisions about municipal securities."

Rule 15c2-12 of the Securities Exchange Act requires brokers, dealers, and municipal securities dealers that are acting as underwriters in primary offerings of municipal securities to reasonably determine that the issuer or obligated person has agreed to provide to the Municipal Securities Rulemaking Board (MSRB) timely notice of certain events. Today's amendments add two new events to the list included in the rule:

- 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
- 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.

The compliance date for the amendments is 180 days after they are published in the Federal Register.

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### FACT SHEET

Amendments to Exchange Act Rule 15c2-12  
SEC Seriatim Approval  
August 15, 2018

### Action

The Commission adopted amendments to Exchange Act Rule 15c2-12 designed to better inform investors and other market participants about the current financial condition of issuers of municipal securities and obligated persons. Specifically, the amendments facilitate timely access to important information regarding certain financial

obligations incurred by issuers and obligated persons, which could impact an issuer's or obligated person's liquidity and overall creditworthiness and create risks for existing security holders.

## Background

Direct placements by issuers and obligated persons as financing alternatives to public offerings of municipal securities have increased since 2009, demonstrating the need for more timely disclosure. According to the FDIC Consolidated Reports of Condition and Income filed by financial institutions, the dollar amount of commercial bank loans to state and local governments has tripled since the financial crisis, increasing from \$66.5 billion as of the end of 2010 to \$190.5 billion by the end of the first quarter 2018.

Individuals held, either directly or indirectly through mutual funds, money market funds, closed-end funds, and exchange-traded funds, approximately \$2.567 trillion of outstanding municipal securities at the end of first quarter 2018.

## Highlights

The amendments to Exchange Act Rule 15c2-12 amend the list of event notices that a broker, dealer, or municipal securities dealer acting as an underwriter in a primary offering of municipal securities subject to Rule 15c2-12 must reasonably determine that an issuer or obligated person has undertaken, in a written agreement for the benefit of holders of municipal securities, to provide to the Municipal Securities Rulemaking Board within 10 business days of the event's occurrence.

Specifically, the amendments add two new events to the list included in the rule:

- 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
- 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 a (i) debt obligation; (ii) 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) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

## What's Next

The compliance date for the amendments is 180 days after they are published in the Federal Register.

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## Related Materials

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- [Final rule](#)