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OREGON STATE TREASURY

Inside the Vault

Local Government Edition

One Part of the New SEC Reporting Events Is Being Overlooked

Among the many articles and webinars being produced to explain to issuers and obligors how the new amendments to SEC Rule 15c2-12 (the Rule) will work, we are concerned that at least one aspect has been underreported or even misstated. It has been commonly reported that the amendments added two new reporting obligations to the current list of 14 events under the Rule. Careful reading of the amendments, however, reveals that there are really three types of events that may have to be reported.

The new event (15) actually comprises two separate elements. The first, and the one most commonly discussed, is the "incurrence" of a material "financial obligation" (a term defined in the amended Rule). This is clearly a forward-looking obligation that comes into play only if an issuer or obligor enters into, say, a direct bank loan after such issuer has sold public bonds and signed a new continuing disclosure agreement (CDA) under the Rule on or after February 27, 2019 (the effective date of the amendments).

However, event (15) has a second clause, which is a separate type of event that has to be reported. This is an "agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation [of the issuer or obligor] any of which may affect security holders [of the bonds to which the CDA relates], if material." This second clause reads as if it might overlap event (16), which requires a report on a "default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of [the issuer or obligor] any of which reflect financial difficulties." Despite the similarity, the event (15) clause 2 requirement is different from event (16). Event (15) clause 2 applies to any change or amendment to terms made to a financial obligation, even if not based on financial difficulties of the issuer or obligor, if it is determined to be material to other debt-holders. For instance, the covenants of a private placement or loan agreement may be changed because of improvements to the financial condition of the issuer or obligor, or if the parties wish to restructure the loan for other reasons.

Interest Rates

Average Annualized Yield	
February	2.75%
Interest Rates	
February 1–28	2.75%

Such changes could be equally material to other debt- holders as any changes based on financial difficulties, and thus may require an event filing under event (15) clause 2.

What is common between event (15) clause 2, and event (16), is that both will apply retroactively to financial obligations that were in existence prior to the signing of the first CDA on or after February 27, 2019, as well as to any financial obligation that has been reported under event (15) clause 1. We have seen descriptions of the new Rule amendments which have either largely or completely ignored event (15) clause 2, or referred to event (15) as being prospective only. This is incorrect.

We have confirmed the analysis above with SEC staff in informal conversations. Moreover, the Municipal Securities Rulemaking Board, in modifying its EMMA system to receive filings under the amended Rule on and after February 27, 2019, is creating a cover sheet for such filings that describes the filing under event (15) as "Financial Obligation – Incurrence or Agreement." There is a separate box to check for a filing under event (16) that reads "Financial Obligation – Event Reflecting Financial Difficulties."

Issuers and obligors establishing new policies and procedures to implement the Rule amendments on and after February 27, 2019, and advisers and counsel working with them, should take care to correctly incorporate the requirements of event (15), clause 2. We expect that in practice there will be more reports made under event (15) clause 2 than under event (16).

This article appeared in substantially similar form in the Bond Buyer publication on February 22, 2019, and is provided by Christine Reynolds, Partner, and Robert Feyer, Senior Counsel, Orrick, Herrington & Sutcliffe LLP.

Public Funds Reminder

All public funds in Oregon must be deposited in compliance with the requirements of ORS chapter 295. Public officials may deposit public funds up to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) —currently $250,000—in any insured financial institution with a head office or branch located in Oregon. Public funds balances that exceed those insurance limits, however, must be held at a depository qualified under Treasury's Public Funds Collateralization Program (PFCP). Through the PFCP, depositories pledge collateral to secure any public funds deposits in excess of deposit insurance amounts, providing additional protection for public funds in the event of a depository loss or failure. ORS chapter 295 specifies the value of the collateral—as well as the types of collateral that are acceptable—and creates a shared liability structure for participating depositories, minimizing (though not eliminating) the risk of loss of such funds.

ORS chapter 295 and OAR 170-040-0050 require public entities to annually verify their contact information as well as the list of qualified public funds depositories where the entities' funds are deposited.

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Treasury is in the process of sending e-mails to each public entity detailing the information currently on file and asking for a confirmation. If updates are required, the public entity may note those updates in its reply. A response to Treasury's confirmation request is required by the included due date in order to remain in compliance with state law.

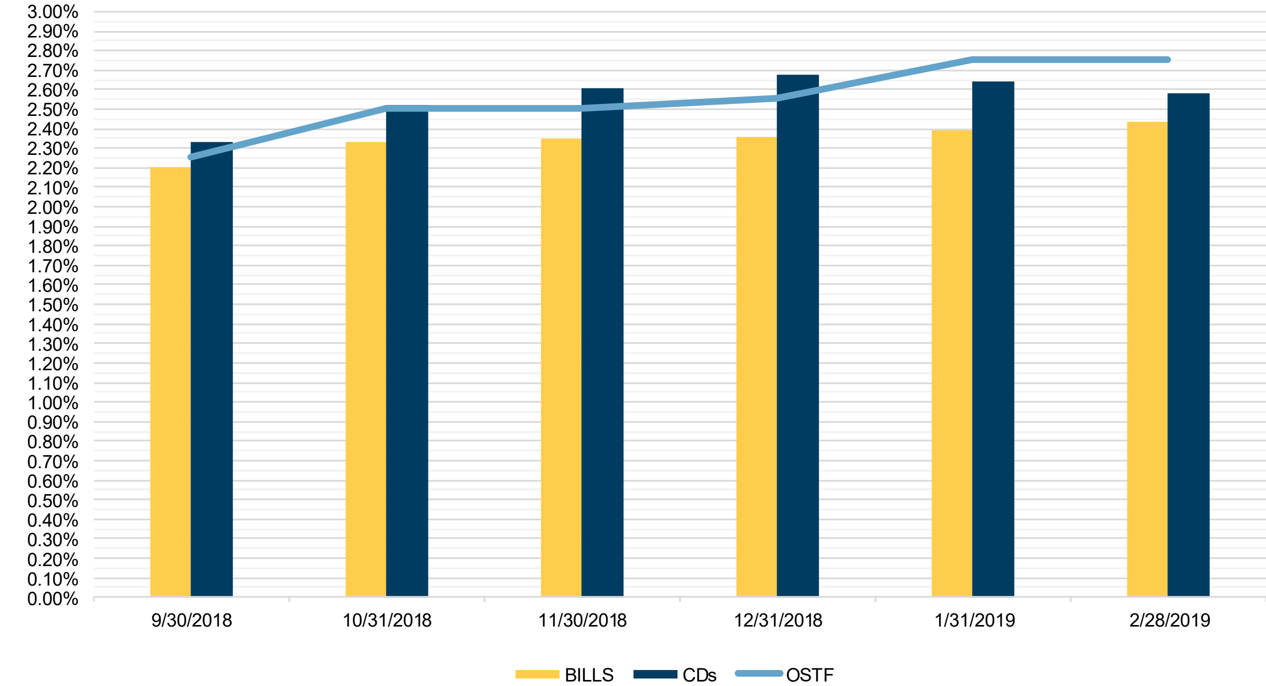
Additional information regarding PFCP can be found at https://www.oregon.gov/treasury/public-financial-services/public-depository-information/Pages/default.aspx.

For further information, contact PFCP staff at 503.378.3400 or public.funds@ost.state.or.us.

Qualified Public Funds Depositories

- Advantis Credit Union
- Baker Boyer Bank
- Bank of America
- Bank of Eastern Oregon
- Bank of The Pacific
- Bank of The West
- Banner Bank
- Beneficial State Bank
- Citizens Bank
- Clackamas County Bank
- Clatsop Community Bank
- Columbia State Bank
- Community Bank
- First Federal S&L of McMinnville
- First Interstate Bank
- Heritage Bank
- Inland Northwest Bank
- JPMorgan Chase Bank, N.A.
- Key Bank
- Lewis & Clark Bank
- MAPS Credit Union
- Northwest Bank
- Northwest Community Credit Union
- Old West Federal Credit Union
- OnPoint Community Credit Union
- Opus Bank
- Oregon Coast Bank
- Oregon Community Credit Union
- Oregon Pacific Banking Co.
- Oregon State Credit Union
- Pacific Crest Federal Credit Union
- Peoples Bank of Commerce
- Riverview Community Bank
- Rogue Credit Union
- St. Helens Community Federal Credit Union
- Summit Bank
- Umpqua Bank
- MUFG Union Bank, N.A.
- Unitus Community Credit Union
- U.S. Bank
- Washington Federal
- Washington Trust Bank
- Wauna Federal Credit Union
- Wells Fargo Bank
- Willamette Community Bank
- ZB, N.A.

Oregon Short Term Fund Analysis



	9/30/2018	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019
LGIP AV DOLLARS INVESTED (MM)	6,886	6,602	9,377	10,030	9,236	9,016
STATE AGENCY AV DOLLARS INVESTED (MM)	11,163	10,795	10,936	10,903	10,844	10,922
TOTAL OSTF AV DOLLARS INVESTED (MM)	18,049	17,397	20,313	20,933	20,080	19,938
OST ANNUAL YIELD (ACT/ACT)	2.25	2.50	2.50	2.56	2.75	2.75
3-MO UST BILLS (BOND EQ YLD)	2.20	2.33	2.35	2.36	2.39	2.44
3-MO US CD (ACT/360)*	2.33	2.52	2.61	2.68	2.64	2.58

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to account holders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from month end. 3-MO US CD rates are obtained from Bloomberg and represent a composite of broker dealer quotes on highly rated (A1+/P1/F1+ from Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings respectivley) bank certificates of deposit and are quoted on a CD equivalent yield basis.

This material is available in alternative format and media upon request.

Market Data Table

	2/28/2019	1 Month	3 Months	12 Months		2/28/2019	1 Month	3 Months	12 Months
7-Day Agency Discount Note*	2.34	2.30	2.14	1.31	Bloomberg Barclays 1-3 Year Corporate YTW*	3.02	3.15	3.45	2.77
30-Day Agy Nt Disc**	2.36	2.35	2.25	1.45	Bloomberg Barclays 1-3 Year Corporate OAS*	0.57	0.68	0.76	0.57
90-Day Agy Nt Disc**	2.39	2.35	2.34	1.63	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.88	1.88	1.89	1.91
180-Day Agy Nt Disc**	2.42	2.41	2.46	1.71					
360-Day Agy Nt Disc**	2.41	2.42	2.59	1.85	7-Day Muni VRDN Yield**	1.74	1.29	1.69	1.09
					O/N GGC Repo Yield**	2.68	2.45	2.27	1.38
30-Day Treasury Bill**	2.33	2.33	2.22	1.44					
60-Day Treasury Bill**	2.38	2.34	2.27	1.53	US 1 Year Inflation Break-Even**	2.91	(1.12)	(0.85)	2.39
90-Day Treasury Bill**	2.39	2.37	2.33	1.61	US 2 Year Inflation Break-Even**	1.74	1.17	1.22	2.11
6-Month Treasury Yield**	2.50	2.51	2.53	1.86	US 3 Year Inflation Break-Even**	1.79	1.48	1.52	2.05
1-Year Treasury Yield**	2.54	2.59	2.67	2.01					
2-Year Treasury Yield**	2.52	2.57	2.81	2.26	1-Day CP (A1/P1)**	2.36	2.36	2.16	1.48
3-Year Treasury Yield**	2.50	2.55	2.84	2.42	7-Day CP (A1/P1)**	2.42	2.42	2.22	1.51
					30-Day CP (A1/P1)**	2.44	2.50	2.27	1.63
1-Month LIBOR**	2.49	2.50	2.34	1.66					
3-Month LIBOR**	2.62	2.74	2.71	2.01	30-Day CD (A1/P1)**	2.47	2.50	2.27	1.61
6-Month LIBOR**	2.69	2.82	2.89	2.21	90-Day CD (A1/P1)**	2.58	2.69	2.66	1.95
12-Month LIBOR**	2.86	3.02	3.13	2.48	6-Month CD (A1/P1)**	2.66	2.82	2.90	2.17
Sources: *Bloomberg Index Services, **Bloomberg					1-Year CD (A1/P1)**	2.77	2.93	3.10	2.41

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- Transactions
- Reporting
- Account/User Maintenance
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- Statutory Requirements
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