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On August 20, 2018, the Securities Exchange Commission (SEC) adopted amendments to Rule 15c-12 of the Securities Exchange Act.

In its press release (<https://www.sec.gov/news/press-release/2018-158>), the SEC indicated the amendments will focus on material financial obligations that could impact an issuer's liquidity, overall creditworthiness, or an existing security holder's rights.

Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds enters into an agreement to provide certain information to the Municipal Securities Rulemaking Board (MSRB) about the securities on an ongoing basis.

The amendment adds two new events to the list of disclosures required by 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.”

According to the press release, 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.”

The SEC provided no definition for “materiality” and does not intend to provide further guidance moving forward. The amendments will be effective 180 days after printing in the Federal Register. Language must be included in Continuing Disclosure Agreements for issuances on and after that date, and Material Events occurring after that date must be filed on EMMA.