

Client Alert

Current Issues Relevant to Our Clients

June 22, 2015

SEC Settles with 36 Underwriting Firms under its MCDC Initiative

On June 18, 2015, the Securities and Exchange Commission (SEC) issued cease-and-desist orders to 36 underwriting firms in response to voluntary self-reporting of misrepresentations in municipal bond offering documents regarding compliance with prior disclosure obligations under its Municipalities Continuing Disclosure Cooperation (MCDC) initiative. These actions are the first settlements with underwriters under MCDC, following the SEC's first cease-and-desist order brought against a municipal issuer on July 8, 2014. Our Client Alert on the MCDC initiative can be found [here](#).

In this first round of settlements, the SEC alleged that between 2010 and 2014, the 36 underwriting firms failed to conduct adequate due diligence regarding materially false statements or omissions contained in municipal official statements relating to compliance with prior continuing disclosure obligations under Rule 15c2-12. The SEC asserted that such failures constituted deliberate violations of the anti-fraud provisions of federal securities law by the underwriting firms.

Under the cease-and-desist orders, the 36 firms were assessed civil penalties, the amount which was based on the number and size of the fraudulent offerings identified, with caps based on the size of the firm. The penalty amount ranged between \$60,000 and \$500,000, and totaled approximately \$9.3 million. The 36 firms did not admit or deny the SEC's findings. Additional underwriting firms are expected to enter into similar cease-and-desist orders in the future. The SEC has not yet provided any information with respect to the MCDC initiative for issuers and obligated persons.

We will follow up with a more detailed description of the orders shortly.

[For More Information](#)

To discuss any of the topics covered in this Client Alert, please contact a member of our Public Finance Group or visit us online at chapman.com.

This document has been prepared by Chapman and Cutler LLP attorneys for informational purposes only. It is general in nature and based on authorities that are subject to change. It is not intended as legal advice. Accordingly, readers should consult with, and seek the advice of, their own counsel with respect to any individual situation that involves the material contained in this document, the application of such material to their specific circumstances, or any questions relating to their own affairs that may be raised by such material.

To the extent that any part of this summary is interpreted to provide tax advice, (i) no taxpayer may rely upon this summary for the purposes of avoiding penalties, (ii) this summary may be interpreted for tax purposes as being prepared in connection with the promotion of the transactions described, and (iii) taxpayers should consult independent tax advisors.

© 2015 Chapman and Cutler LLP. All rights reserved.

Attorney Advertising Material.