

Chapman Client Alert

December 14, 2016

Current Issues Relevant to Our Clients

SEC Ends Settlements under Its MCDC Initiative

In a December 13, 2016 interview with *The Bond Buyer*, the chief of Securities and Exchange Commission's public finance abuse unit stated that the SEC does not expect to recommend any further settlements under its Municipalities Continuing Disclosure Cooperation ("MCDC") initiative. Instead, the public finance abuse unit will focus on those issuers¹ and underwriters that did not self-report disclosure violations under the Initiative.

The MCDC initiative, announced by the SEC in March 2014, offered underwriters and issuers the opportunity to self-report potential misrepresentations and omissions in municipal bond offering documents regarding compliance by issuers with their continuing disclosure obligations, in exchange for more lenient settlements than would otherwise be available for violations which were not self-reported. Our initial Client Alert on the MCDC Initiative can be found [here](#). Our Client Alerts on the SEC's first, second and third rounds of settlements with underwriters, and on the SEC's single round of settlements with issuers, can be found [here](#), [here](#), [here](#) and [here](#).

In the interview with *The Bond Buyer*, Lee Ann Gaunt, chief of the public finance abuse unit, stated, "We currently do not expect to recommend enforcement action against any additional parties under the initiative We now think it is appropriate to turn our attention to issuers and underwriters and obligors that didn't participate."

Ms. Gaunt went on to say that the public finance abuse unit believed that underwriters and issuers who did not self report disclosure violations under the MCDC Initiative are at a high risk for future violations of their disclosure obligations, and that the unit's enforcement lawyers "intend to devote significant resources to identifying violations by those parties."

The enforcement lawyers will also focus on situations where issuers or underwriters reported some, but not all, potential disclosure violations under MCDC Initiative.

For More Information

If you would like further information concerning the matters discussed in this article, please contact a member of our Public Finance Group or visit us online at chapman.com.

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¹ "issuer" also refers to an "obligated person" under the MCDC Initiative