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## SEC Amends Municipal Securities Disclosure Rule

At its meeting on May 26, 2010, the Securities and Exchange Commission unanimously approved amendments to its municipal securities disclosure rule, Rule 15c2-12. Although the text of the amendments is not yet available, the statements made by the Commissioners and Staff indicated that the amendments closely follow the proposed amendments issued in July 2009 [Release No. 34-60332, available on the Commission's website <http://www.sec.gov/rules/proposed/2009/34-60332.pdf>].

The amendments will become effective on December 1, 2010 and will apply to continuing disclosure undertakings entered into on or after the effective date. The amendments will —

- remove the continuing disclosure exemption for variable rate demand obligations, with limited grandfathering for outstanding VRDOs,
- add to the list of post-issuance events that are required to be reported in "material event" notices,
- require the filing of material event notices for certain post-issuance events, such as rating changes, regardless of whether such events are deemed to be material, and
- require that material event notices be filed within 10 business days after occurrence of the event, regardless of whether the issuer has actual notice of the event.

In approving the amendments, the Commissioners discussed the size of the municipal market, the active trading of municipal securities, the recent history of municipal defaults and the prevalence of individual investors. The Commissioners noted that an update to its 1994 interpretative guidance on municipal securities disclosure practices would be forthcoming, and stated that further changes would be considered to improve the timeliness, transparency and quality of municipal securities disclosure. In particular, various Commissioners called for —

- the repeal of the Tower Amendment to enable direct regulation by the Commission of municipal securities issuers, their financial reporting practices and offering materials,
- additional disclosure mandates, particularly in the area of swaps and derivatives, and
- continued enhancement of the MSRB's Electronic Municipal Market Access system.

We will provide further description and analysis of the amendments and their impacts following their publication.

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