

Mark W. Dick – *Municipal Bond Markets – Headed for SEC Oversight?*

Are you aware that the Securities and Exchange Commission (SEC) is aggressively pursuing increased regulatory authority over the \$3 trillion municipal securities market? The Dodd-Frank Act of 2010 exempts municipal securities from all the provisions of the SEC Acts of 1933 & 1934, except for the anti-fraud provisions of the '33 Act and section 10(b) of the '34 Act. Those anti-fraud provisions prohibit any person from misrepresenting or omitting a material fact in a municipal securities offering statement. That's about to change with the implementation of Dodd-Frank.

In 2009, Mary Shapiro, chairman of the SEC, stated that she would like to see disclosures in the municipal area similar to those in the corporate offerings; especially in the area of quality and timeliness. In 2011, chairman Shapiro sent a letter to Congress requesting a reprogramming of SEC funds to establish the Office of Municipal Securities within the organization. This five-person office would report to the chair as mandated by the Dodd-Frank Act.

Ms. Shapiro's statements have left little doubt as to the SEC's ultimate goal. She stated that the organization has reached its limit in governing disclosures through broker-dealers of municipal securities. She further stated that she wants to talk to Congress about more direct control over those disclosures, especially in the area of public pensions.

What impact will this have on you? It is unknown at this time, but don't be surprised if we are going to have additional detailed disclosures in those offering statements, especially in the area of public pensions. As you're aware, public pensions were the heart of the lawsuit the SEC brought against the state of New Jersey. This was the first lawsuit the SEC brought against a state under those anti-fraud provisions of the '33 Act.

In our next series, we'll be discussing the specifics of that suit, and its impact on the ongoing disclosure requirements of offering statements. Thanks for a moment of your valuable time.

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