

## SEC Moves Toward Web-Based Transparency in Muni Field

On July 30, the U.S. Securities and Exchange Commission issued proposed amendments to Rule 15c2-12 approving the implementation of a Web-based disclosure system that has been piloted under the auspices of the Municipal Securities Rulemaking Board (“MSRB”). The [proposed changes](#) would (indirectly) require all municipal issuers (including conduit borrowers such as 501(c)(3)s borrowing through state or local bond issuing authorities) to file official statements relating to tax-exempt bonds and annual continuing disclosure reports with the MSRB’s Web-based disclosure system, known as “EMMA” (an acronym for “Electronic Municipal Market Access”). Comments will be due 45 days after publication in the Federal Register.

The easy-to-use EMMA offers the promise of faster and broader distribution of market information to the general public than may be currently available through the privately controlled repositories (NRMSIRs) that currently accept muni bond disclosure filings. For a link to the pilot program currently running at EMMA, [click here](#).

For conduit borrowers, the most significant implications of the proposed regulations are:

The general public will have immediate, Web-based access to the detailed financial and operational information about the borrower contained in the offering statements, continuing disclosure reports, and “material events” filings. This will certainly improve retail and other investor access to information, but it will also put information concerning a broad range of borrower activities on the Internet for non-investment related third parties to review.

Increased real-time disclosure may help reduce demands for full, public company-style reporting requirements. One influential industry group has recently asked the SEC to seek Congressional repeal of the so-called Tower Amendment, which in 1975 expressly prohibited the SEC from requiring filing of municipal disclosure statements prior to issuance of municipal securities. Repeal of the Tower Amendment would result in substantial increases in borrowing costs for all municipal issuers and conduit borrowers.

In theory, enhanced transparency may result in lower borrowing costs due to improved market efficiency. Whether the improved disclosure mechanism will affect interest rates is unclear.

For further information concerning the SEC’s proposed release, please contact your usual Ropes & Gray attorney or any of the following:

[Larry Bragg](#)

[John Chesley](#)

[Anne Ogilby](#)

*This alert should not be construed as legal advice or a legal opinion on any specific facts or circumstances.*

*This alert is not intended to create, and receipt of it does not constitute, a lawyer-client relationship.*

*The contents are intended for general informational purposes only, and you are urged to consult your own lawyer concerning your own situation and any specific legal questions you may have.*