SEC Seeks Further Authority to Regulate the Municipal Securities Market

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On July 31, 2012, the Security and Exchange Commission (the "SEC") issued its much-awaited *Report on the Municipal Securities Market* (the "Report"). The 165-page Report is the product of a two-year examination of the $3.7 trillion municipal bond market by the SEC. The Report contains recommendations to enhance financial disclosures by issuers and to implement changes to the municipal securities market structure to enhance transparency for investors. The Report's recommendations with respect to expanding disclosure call for action by Congress, the SEC and market participants.

Some of the Report's most significant legislative recommendations include: eliminating the availability of Securities Act and Exchange Act exemptions for conduit borrowers which are not municipal entities; authorizing the SEC to establish the form and content of financial statements of municipal issuers of municipal securities; requiring audited financial statements from municipal securities issuers; and creating a mechanism for enforcing continuing disclosure agreement compliance and requiring trustees to enforce the terms of such agreements. The Report also contains recommendations to enhance pre-trade and post-trade pricing transparency for retail customers in the municipal securities market.

The Report acknowledges concerns associated with the Report's proposals, including the additional costs associated with compliance, and it explicitly states that the Report does not recommend a repeal or modification of the Tower Amendment, which proscribes requiring the filing of disclosure documents prior to the sale of municipal securities. However, absent Congressional action to implement the Report's recommendations, the Report is merely advisory and, therefore, the Report's actual impact, if any, on the municipal securities market remains uncertain.

Download a copy of the full report here.

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