HAYNES BOONE

Kit Addleman in Law360: SEC Enforcement Puts Target On Public Finance Officials

By Kit Addleman | March 16, 2016

The U.S. Securities and Exchange Commission’s push to hold individuals accountable for wrongdoing reached the once-sleepy municipal securities market this week, when the agency said it sanctioned the leaders of two public bond authorities in a pair of cases that raise the stakes on municipal finance officials elsewhere.

The actions against officials at the Rhode Island Commerce Corp. and the Westlands Water District of California weren’t the first instances of the SEC disciplining public officials over problematic debt offerings. But the fact that they targeted executives at bond issuers and came out almost back-to-back sends a message to the rest of the market.

“To have two actions involving multiple individuals now is suggestive of the SEC stepping up its game,” said Kit Addleman, a former director of the SEC's Atlanta office who’s now at Haynes Boone LLP. “Just as they predicted they would."

... And it is expected the enforcement effort will continue to bear fruit. An SEC program to get municipal underwriters and issuers to self-report disclosure violations in exchange for standardized, and perhaps more lenient, sanctions has yielded dozens of enforcement actions against underwriters, though none so far against issuers.

But Addleman says she expects that to change soon. And those that didn't participate in the cooperation initiative may also find out the cost of that if they are subsequently hit with enforcement actions.

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