

## Kit Addleman and Sarah Mallett in Law360: Issuers Under Spotlight In SEC Muni Initiative

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March 10, 2016 Kit Addleman

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With an emphasis on improving disclosures in the municipal securities markets, the U.S. Securities and Exchange Commission has filed numerous enforcement actions against underwriters of municipal bond offerings in the past year and is now turning its attention to municipal securities issuers. On Feb. 2, 2016, the SEC announced a third and final round of settled enforcement actions filed against 14 underwriters for alleged misstatements and omissions in municipal bond offerings. With this latest wave of settlements, brought under the SEC's Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, the SEC has instituted actions in eight months against a staggering 72 underwriters — comprising approximately 96 percent of the market share for municipal underwritings — with payments totaling more than \$17 million.

The SEC's press release also announced that the initiative was continuing as to municipal debt issuers and, in fact, the industry began reporting days later that the SEC's Enforcement Division had begun contacting municipal issuers that participated in the initiative regarding potential resolution. On March 7, 2016, in an action that appears to be unrelated to the MCDC Initiative, the SEC charged Rhode Island Economic Development Corp. (RIEDC) in federal district court with violations associated with the issuance of \$75 million in bonds. The SEC additionally targeted two of the issuer's individual executives, the underwriter, the lead banker and the financial adviser.

The combination of these latest announcements and actions send a clear message to municipal securities industry participants. The SEC Enforcement Division's Municipal Securities and Public Pensions Unit is focusing on and bringing increased resources to municipal securities investigations in order to hold all parties accountable, particularly individuals, for violations in bond offerings.

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