

MSRB Again Calls for Enhanced Municipal Market Transparency of Undisclosed Debt

Date: January 29, 2015

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MSRB AGAIN CALLS FOR ENHANCED MUNICIPAL MARKET TRANSPARENCY OF UNDISCLOSED DEBT

Alexandria, VA – The Municipal Securities Rulemaking Board (MSRB) today published its second notice calling for more transparency of undisclosed debt of municipal bond issuers. The MSRB is concerned that investors and other market participants are often unaware of the potential impact of bank loans and other debt-like obligations on the seniority status of existing bondholders and the credit or liquidity profile of an issuer, among other implications.

“As issuers increasingly turn to bank loans to finance infrastructure projects, the MSRB is concerned that current disclosure requirements may not provide a complete picture of an issuer’s indebtedness,” said MSRB Executive Director Lynnette Kelly. “The MSRB’s advisory aims to promote greater market transparency and investor confidence by reminding market participants of current best practices for the voluntary disclosure of bank loans.”

The MSRB first encouraged state and local governments in 2012 to make information about their bank loans publicly available on a voluntary basis on the MSRB’s Electronic Municipal Market Access (EMMA®) website. Today’s market advisory notes that fewer than 100 bank loan documents have been properly submitted to EMMA since that time. The MSRB this month urged the Securities and Exchange Commission (SEC) to consider requiring bank loan disclosure as part of an extensive review of the federal municipal market disclosure regime established by SEC Rule 15c2-12. Read about the MSRB’s market leadership on bank loans and municipal market disclosure.

The current advisory highlights the importance of bank loan disclosure for the transparency and efficiency of the municipal securities market, and provides best practices to support voluntary disclosure of bank loan information through EMMA. These guidelines draw on those espoused by municipal market participants, and the advisory provides examples of steps issuers and their financial professionals can take to ensure investors have a full understanding of the terms of a bank loan and its implications for existing debt.

“The MSRB believes that access to bank loan information can provide current or prospective bondholders and other market participants with key information that can be useful in assessing their current holdings of municipal securities or in making informed investment decisions regarding transactions in municipal securities,” Kelly said.

The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its Electronic Municipal Market Access (EMMA®) website, the official repository for information on all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally-chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.