

MEMO# 21400

July 27, 2007

SEC Issues White Paper on Municipal Securities Market

[21400]

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 18-07
SEC RULES MEMBERS No. 96-07
EQUITY MARKETS ADVISORY COMMITTEE No. 42-07
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 20-07
INST. MONEY MARKET FUNDS ADVISORY COMMITTEE No. 21-07 RE: SEC ISSUES WHITE PAPER ON MUNICIPAL SECURITIES MARKET

On July 26, 2007, SEC Chairman Cox delivered a staff “white paper” to Congress that calls for improvements in accounting and disclosure in the municipal securities market. [\[1\]](#) The white paper discusses the size and importance of the municipal securities market, the significant ways in which it has changed over time, recent enforcement actions, and areas of possible legislative reform. [\[2\]](#)

Noting the limitations on the Commission’s authority to fully addresses problems and changes in the municipal securities market, the white paper sets forth a number of recommendations for legislative consideration that the SEC staff believes will improve the extent, quality, and availability of municipal issuer information.

- Making available to investors municipal issuer offering documents and periodic reports that contain information similar, although not necessarily identical to, that required of issuers and offerings of corporate securities.
- Making available to investors without charge municipal issuer offering documents and periodic reports on a timely basis through an easily accessible venue, such as a system similar to EDGAR.
- Mandating municipal issuer use of “generally accepted” governmental accounting standards.
- Encouraging and supporting timely development of high-quality governmental

accounting standards by, for example, providing an independent funding mechanism for the Governmental Accounting Standards Board ("GASB") and requiring or permitting Commission oversight of the GASB, as is now provided by Sections 108 and 109 of the Sarbanes-Oxley Act for the Financial Accounting Standards Board.

- Applying to non-governmental conduit borrowers the registration and disclosure standards that would apply if they issued their securities directly without using municipal issuers as conduits.
- Ensuring that issuers of municipal securities establish policies and procedures for disclosure appropriate for the particular issuer.
- Clarifying the legal responsibilities of issuer officials for the disclosure documents that they authorize, the responsibilities of underwriters with respect to the offering statements they use in underwriting municipal offerings, and the securities law responsibilities of bond counsel and other participants in offerings.

In making the recommendations, the white paper states that any legislative revisions should be "tailored to accommodate the unique character of municipal issuers and special attributes of the municipal securities market." Consequently, the SEC staff concluded that, "the regulatory model applicable to the securities of public companies should not be duplicated and applied wholesale to municipal securities."

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endnotes

[1] See Disclosure and Accounting Practices in the Municipal Securities Market, White Paper to Congress, July 2007, available at <http://www.sec.gov/news/press/2007/2007-148wp.pdf>.

[2] The white paper discusses in greater detail many of the issues raised, and recommendations offered, by Chairman Cox in his recent speech, "Integrity in the Municipal Market." See [Memorandum](#) to Fixed-Income Advisory Committee No. 16-07, SEC Rules Members No. 90-07, Equity Markets Advisory Committee No. 38-07, Money Market Funds Advisory Committee No. 19-07 and Inst. Money Market Funds Advisory Committee No. 20-07, dated July 20, 2007 [21377].