

MEMO# 6059

July 15, 1994

INSTITUTE LETTER ON SEC PROPOSAL TO ENHANCE DISCLOSURE IN THE MUNICIPAL SECURITIES MARKET

July 15, 1994 TO: SEC RULES COMMITTEE NO. 79-94 UNIT INVESTMENT TRUST COMMITTEE NO. 50-94 RE: INSTITUTE LETTER ON SEC PROPOSAL TO ENHANCE DISCLOSURE IN THE MUNICIPAL SECURITIES MARKET

As we previously informed you, the Securities and Exchange Commission has proposed amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 to improve disclosure practices in the municipal securities market. (See Memorandum to SEC Rules Committee No. 34-94, Unit Investment Trust Committee No. 21-94 and Secondary Market Disclosure Task Force, dated March 18, 1994.) Attached is a copy of the Institute's letter on the proposal, significant aspects of which are summarized below. The Institute's letter expressed strong support for the first part of the proposal, to prohibit a broker, dealer, or municipal securities dealer from underwriting an issue of municipal securities unless such person has reasonably determined that the issuer has agreed to provide certain information to a central repository. The Institute recommended, however, that the Commission delay consideration of the second aspect of the proposal, to prohibit a dealer from recommending a municipal security unless certain information about the issuer has been reviewed. In view of the significant criticism that this proposal has received from dealers and others, we stated that it would be counterproductive to delay adopting improved disclosure requirements in the municipal market, while embarking on the lengthy process of developing a compromise proposal relating to the obligations of municipal securities dealers. Alternatively, the Institute recommended that the proposal be modified to alleviate a dealer's obligation to review the disclosure where the purchaser or seller is a large institutional investor and the dealer has disclosed (1) that it has not reviewed the available issuer information, (2) whether the information is or is not available at a central repository and (3) that the dealer makes no recommendation with respect to the transaction. Amy B.R. Lancellotta Associate Counsel Attachment