What is Continuing Disclosure?

Continuing disclosure consists of important information about municipal bonds that arises after the initial issuance. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

SEC Rule 15c2-12

U.S. Securities and Exchange Commission (SEC) Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds enters into an agreement to provide certain information to the Municipal Securities Rulemaking Board (MSRB) about the securities on an ongoing basis. These disclosures are made available to investors and the public on the MSRB’s Electronic Municipal Market Access (EMMA®) website.

Why Are Continuing Disclosures Useful?

Continuing disclosures are intended to assist investors in determining the suitability of a bond, as well as potential risks associated with the credit of the state or local government.

Each bond issue has its own unique set of continuing disclosures. The financial information and operating data, which is prepared by the state or local government that issued the bond, generally reflects the evolving financial or operating condition of the state or local government. Disclosures also include notice of specific events occurring after a bond’s issuance that can have an impact on any of the following:

- The ability of a state or local government to pay investors amounts owed on the bonds;
- The value of the bonds if they are bought or sold prior to maturity; or
- The timing of repayment of principal.

By looking at continuing disclosures, investors can compare annual financial information about a particular bond from year to year, or between two similar securities. They can also read event notices to learn about actions or events that can affect a particular bond.

What are the Types of Continuing Disclosures?

Some continuing disclosures provide updated financial or operating information about the state or local government that issued the bond, such as:

- Annual financial information
- Audited financial statements
• Notice of failure to provide annual financial information on or before the date agreed to by the state or local government

Other continuing disclosures provide notification of specific events that may have an effect on repayment of a bond, such as:

• Principal and interest payment delinquencies
• Non-payment related defaults
• Unscheduled draws on debt service reserves reflecting financial difficulties
• Unscheduled draws on credit enhancements reflecting financial difficulties
• Substitution of credit or liquidity providers, or their failure to perform
• Adverse tax opinions or events affecting the tax-exempt status of the security
• Modifications to rights of security holders
• Bond calls and tender offers
• Defeasances
• Release, substitution or sale of property securing repayment of the securities
• Rating changes
• Bankruptcy, insolvency or receivership
• Merger, acquisition or sale of all issuer assets
• Appointment of successor trustee
• Financial obligation1 incurrence or agreement
• Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The above categories of disclosure are specified in SEC Rule 15c2-12.

What are the Timeframes for Submitting Disclosures Specified in SEC Rule 15c2-12?

State or local governments or obligated persons must submit annual disclosures on or before the date specified in the continuing disclosure agreement or provide notice of failure to do so to the MSRB through the EMMA website. Disclosure of events must be submitted to EMMA in a timely manner, but not in excess of 10 business days after the occurrence of the event.

What are the Exemptions from SEC Rule 15c2-12?

Continuing disclosure generally is not required for an issue if:

• The entire issue is for less than $1 million
• The bonds are sold to investors in authorized denominations of $100,000 or more to no more than 35 sophisticated investors
• The bonds are sold in authorized denominations of $100,000 or more and mature in nine months or less from initial issuance
• The bonds were issued prior to July 1995 (or prior to December 1, 2010 for certain “puttable” securities.)

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1 The term “financial obligation” is defined as a debt obligation, derivative instrument entered into in connection with, or (i) Pledged as security or a source of payment for, an existing or planned debt obligation; or (ii) Guarantee of (i) or (iii) The term financial obligation shall not include municipal securities as to which a final official statement.
Where Are Continuing Disclosures Located?

The MSRB’s EMMA website, at emma.msrb.org, publicly displays continuing disclosure information submitted since July 1, 2009, as part of the MSRB’s mission to provide access to key municipal market information. The EMMA website also displays trade data and educational materials about the municipal securities market.

MSRB Support
Phone: 202-838-1330
Hours: 7:30 a.m. – 6:30 p.m. ET
Email: MSRBSupport@msrb.org
Hours: 7:00 a.m. – 7:00 p.m. ET

This information is for educational purposes only and provides a general overview of the subject matter and does not constitute investment, tax, business, legal or other advice.