

# EMMA Requirements



# Learning Objectives

This session will provide a brief overview of the following:

- Municipal Securities Rulemaking Board (MSRB)
- Electronic Municipal Market Access (EMMA)
- Continuing disclosure requirements
- Understanding when submission requirements apply to you
- What information needs to be disclosed and when

# SEC and Other Regulators Area of Focus

- Issuers
- Broker-dealers
- Banks
- Employee benefit plans
- Any entity with municipal bond financing
- Municipal bonds
- Conduit debt
- Industrial revenue bonds

# Why the increased attention?

- Lack of compliance with continuing disclosure requirements
- Lack of timeliness of information

# Municipal Securities Rulemaking Board (MSRB)

- A congressionally-chartered, self-regulatory organization
- Mission: “To protect investors, municipal entities and the public interest by promoting a fair and efficient municipal market, regulating firms that engage in municipal securities and advisory activities, and promoting market transparency.”
- Provide free tools and resources to issuers
- Responsible for the EMMA system

# Electronic Municipal Market Access (EMMA)

- Designed to bring transparency to the municipal bond market
- Official repository for information on all municipal bonds
- Provides free public access to:
  - Trade activity and prices
  - Official statements
  - Credit ratings
  - Market statistics
  - Continuing disclosures

# SEC Rule 15c2-12

- Four categories of financial disclosures:
  - Annual financial information
  - Audited financial statements
  - Customary financial information (small issuers < \$10 million total outstanding)
  - Failure to file notices

# Annual Financial Information

- Reflects the core financial and operating data
  - Purpose is to update information included within the official statement
  - Includes financial data (often CAFRs)
  - Includes operating data



# Audited Financial Statements

- Includes CAFRs
- May be submitted separately from annual financial information when:
  - Not prepared in time to meet deadlines for submission of annual financial information
  - Audited financial statements were not included in the official statement

# Customary Financial Information

- Applies to certain “small issuer offerings”
  - The issuer has no more than \$10 million of bonds outstanding
  - Allows for limited financial and operating disclosures
  - Full disclosures are allowed

# Failure to File Notice

- Triggered if any required disclosure is not filed on or before the deadline
- May include:
  - Nature and/or cause of the failure to submit by the deadline
  - Expected timeframe for submission
- Should be submitted by the contractual deadline

# Continuing Disclosure Requirements Example

“The City agrees that its undertaking pursuant to the Rule described in the Continuing Disclosure Certificate is intended to be for the benefit of the Holders and beneficial owners of the Series 2015 Bonds and shall be enforceable by such Holders and beneficial owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to seek mandamus or specific performance to cause the City to comply with its obligations...”

\* Excerpted from a bond Official Statement

# Continuing Disclosure Requirements Example

- Submit by June 30 of each year the following information:
  - Update of the annual financial information and operating data consistent with data provided in the Official Statement, including:
    - ◇ Permitted and Actual Raw Water Withdrawal
    - ◇ Customer and Usage Statistics – Ten Largest Customers
    - ◇ Rates and Charges – Water, Sewer & Reuse Water Rates
    - ◇ Historical Operating Results and Debt Service Coverage
  - Annual audited financial statements
    - ◇ If not available, unaudited may be filed pending the availability of audited statements.

# Continuing Disclosure Requirements Example

- Specified Events – Must be reported within 10 business days after occurrence of an event:
  - Principal and interest payment delinquencies
  - Non-payment related defaults, if material
  - 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.

# Continuing Disclosure Requirements Example

- Specified Events (continued)
  - Modifications to rights of the holders of the Bonds
  - Bond calls and tender offers
  - Bond defeasances
  - Release, substitution or sale of property securing repayment of the Bonds
  - Ratings changes
  - Bankruptcy, insolvency or receivership
  - Merger, consolidation, or acquisition
  - Appointment of a successor or additional trustee

# Exemptions from Rule 15c-2-12

- Disclosure is generally not required when:
  - The entire issue is for less than \$1 million
  - Bonds are sold to investors in units of no less than \$100,000 and are sold to no more than 35 sophisticated investors
  - Bonds are sold in \$100,000 minimum denominations and mature in nine months or less from initial issuance
  - Bonds were issued prior to July 1995 (or December 1, 2010 for certain “puttable” securities)



# Things to do

- Review continuing disclosure requirements for **all** bonds outstanding.
- Chart the reporting deadlines.
- Use EMMA as a resource.
- Be aware of reporting requirements from rating changes and defeasances.
- Understand what your financial advisor is doing.

# Useful Websites

- <http://www.msrb.org>
- <http://www.emma.msrb.org/>



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