



G-17 Disclosures
Underwriters to Issuers

CDIAC
Municipal Market Disclosure:
Current Topics and Practices
March 18-19, 2014

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MSRB Rule G-17 Disclosures

- MSRB Notice No. 2012-25 is an interpretive notice regarding underwriters' duties under MSRB Rule G-17 to municipal issuers.
- Mostly a restatement of existing duties for underwriters.
- In addition, now affirmatively requires underwriters to provide certain disclosures to municipal issuers which include:
 - information regarding the role of the underwriter in the transaction
 - information regarding the compensation structure
 - any conflicts of interest (including third party payments),
 - the material financial aspects and any associated risk in the proposed financing structure.
- Disclosures do contain important information that issuer should read. Most letters are short (2-3 pages).



MSRB Rule G-17 Disclosures

- Underwriter is required to attempt to obtain written acknowledgement of the receipt by the issuer of the disclosure.
- An issuer is not obligated to respond. However, you can really help out by “acknowledging receipt.” Such acknowledgement of receipt may include a reservation of rights or other self-protective language by the issuer.
- GFOA has model response language for acknowledging G-17 disclosures.
- If you have a policy against even acknowledging receipt helpful (but not required) to make that as clear as possible.



MSRB Rule G-17 Disclosures: Disclosures Regarding the Underwriter's Role

- These are standardized.
- An underwriter is engaged in an arms-length transaction with the issuer – they are not on “your side.”
- Not a fiduciary. Unlike a financial advisor they do not have to put your needs above their own. Underwriters do have a fair dealing obligation.



MSRB Rule G-17 Disclosures: Disclosures Concerning the Underwriter's Compensation

- These are generally standardized.
- Underwriter's pay is generally contingent on the closing of a transaction and increases based on the size of the transaction.
- This results in a built-in incentive to push for solutions that require the issuance of debt and increase the amount of the debt or the frequency of issues (BANs, refundings etc . . .).



MSRB Rule G-17 Disclosures: Other Conflicts Disclosures

- These can be standardized but should generally be more specific to the particular conflict.
- Does underwriter receive payments from third parties for recommending certain products in connection with a bond issuance (bond insurance, investment products, continuing disclosure services)?
- Some underwriters use very general disclosure in this section.
- If you don't understand disclosure or if it seems very general -- ask questions to get more specifics.



MSRB Rule G-17 Disclosures: Disclosures Regarding Complex Municipal Securities Financing

- Should not be standardized.
- Can vary in specificity based on experience of issuer personnel.
- If you don't understand these G-17 disclosures or if they seem very general -- ask questions to get more specifics.

