



THE ROLE AND USE OF REPOSITORIES IN THE DISCLOSURE PROCESS FOR MUNICIPAL SECURITIES

Frank Moore
CDIAC Policy Research Unit

Investors and market watchers depend upon full and timely disclosure of the underlying conditions of public debt. In public markets, disclosure through official statements and continuous reporting reduces the risk of uninformed investments.

Information repositories provide an integral link in the disclosure process for municipal securities. Their role is to assist with the dissemination of information as a means to enhance the accuracy and timeliness of disclosure to investors in municipal securities. Issuers should be especially mindful of the presence of these repositories in light of the Securities and Exchange Commission's (SEC) requirements for continuing disclosure.

Recent developments in continuing disclosure include a completed SEC study on compliance with secondary market disclosure rules. The SEC study, based on a group of 30 randomly selected bond issues sold in 1996 and 1997, preliminarily found that only 57 percent to 75 percent of the disclosure documents that should have been filed by the issuers of those securities were filed with municipal disclosure repositories. In addition, the Muni Council, an organization comprised of representatives of municipal market groups, recently met to discuss several items that could improve continuing disclosure. Topics discussed include electronic filing of disclosure information by issuers, use of a central index or repository for disclosure filings, and the use of Committee on Uniform Security Identification Procedures (CUSIP) numbers (the unique identification number assigned to each maturity of a bond issue) in municipal disclosure filings. In response to these recent events, the California Debt and Investment Advisory Commission is reprinting an updated version of its November 2000 *DEBT LINE* article on disclosure repositories. This article discusses the role of repositories in the disclosure process and provides a practical guide for municipal users of these repositories.

Role of Repositories

SEC Rule 15c2-12, "Municipal Securities Disclosure", promulgated under Section 12(c)(2) of the Securities Exchange Act of 1934, was adopted in 1989 to provide primary disclosure in the municipal securities market. In general, this rule requires an underwriter, for offerings in excess of \$1 million, to obtain, review, and distribute to investors copies of the issuer's disclosure document or official statement. Under Rule 15c2-12, as adopted in 1989, "nationally recognized municipal securities information repositories" (NRMSIRs) essentially serve the function of disseminators of official statements on behalf of underwriters.

Rule 15c2-12 was amended in 1994 to include certain continuing disclosure requirements. An underwriter subject to this Rule may not purchase or sell municipal securities unless the issuer of those securities, or an obligated person for whom financial or operating data is presented in the final official statement, has undertaken in a written agreement to make certain ongoing financial and operating information available to bondholders at least annually. As a result of these amendments, NRMSIRs now play an expanded role in the collection and dissemination of secondary market information. Continuing disclosure information is filed with each NRMSIR and with the appropriate "state information depository" (SID), if any.¹

The 1994 amendments to Rule 15c2-12 also require that notice be filed with each NRMSIR or the Municipal Securities Rulemaking Board (MSRB) and the appropriate SID if any of eleven enumerated events occurs subsequent to the issuance of any bond covered by the Rule. Notification of these events is dependent upon whether they are found to be "material," that is, judged by a reasonable person to be significant enough to affect the pricing or value of any associated debt. The eleven enumerated events are:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

¹ California currently does not have a SID.

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of securities holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities;
- (11) Rating changes.

In addition, Rule 15c2-12 requires that a notice be sent to each NRMSIR or to the MSRB and the appropriate SID in the event of a failure by any person to provide the required annual financial information on or before the due date specified in the written continuing disclosure agreement.

NRMSIRs and SIDs receive official statements, audited financial statements, and material event notices from issuers and their agents. The MSRB receives event notices only. The information, in turn, is disseminated to interested parties when requested. To ensure that requested information can be easily located and disseminated, issuers should consider including cover sheets with CUSIP numbers when submitting continuing disclosure information to the MSRB, NRMSIRs, and SIDs. The Bond Market Association has developed a “Municipal Secondary Market Disclosure Information Cover Sheet” that, if used consistently and filled out correctly with CUSIPs, could greatly improve the accurate tracking of submitted continuing disclosure information. This cover sheet can be found at www.bondmarkets.com/regulatory/Generic_Cover_Sheet_for_NRMSRs_and_SIDs.pdf. The Government Finance Officer’s Association (GFOA) Committee on Governmental Debt and Fiscal Policy has recommended including cover sheets when submitting required disclosure information.

Who are the Repositories?

To become a NRMSIR, a company must apply to the SEC and meet certain criteria. According to SEC Release No. 34-34961, “Municipal Securities Disclosure”, in determining whether a particular entity is a NRMSIR, the SEC considers, among other things, whether the repository:

- (1) is national in scope;
- (2) maintains current, accurate information about municipal offerings in the form of official statements, and annual financial information, notices of material events, and notices of a failure to provide annual financial information

undertaken to be provided in accordance with Rule 15c2-12;

- (3) has effective retrieval and dissemination systems;
- (4) places no limits on the persons from which it will accept official statements, and annual financial information, notices of material events, and notices of a failure to provide annual financial information undertaken to be provided in accordance with Rule 15c2-12;
- (5) provides access to the documents deposited with it to anyone willing and able to pay the applicable fees; and
- (6) charges reasonable fees.

The Release goes on to say that state-based repositories are in a special relationship with filers of disclosure information to provide for convenient and efficient dissemination. The SEC, therefore, encouraged states to develop state-based repositories. The Release declared that an appropriate SID would be a repository operated or designated by the state that receives information from all issuers within the state and makes this information available promptly to the public on a contemporaneous basis. A state may designate a SID through legislative or executive action.

Accessing NRMSIRs and SIDs

The various repositories all collect the same information – NRMSIRs and SIDs collect official statements, annual reports and material event notices and the MSRB collects material event notices exclusively – but their methods of collection and dissemination differ. This information usually can be submitted via mail, fax or e-mail (according to the September 2000 Bond Market Association’s Task Force on Electronic Information Delivery, the NRMSIRs and the MSRB all are able to accept electronic filings but this capability is less common among the SIDs). CDIAC’s independent corroboration with the repositories indicates that disclosure information is collected by the MSRB and one NRMSIR by mail, fax, and the Internet. One NRMSIR collects disclosure information by mail only. Two NRMSIRs do not specify how they collect disclosure information. The collection methods for SIDs were not verified.

Methods of dissemination for all repositories vary greatly. Generally, disclosure information on individual issues can be purchased for between \$20 and \$30 plus shipping (one NRMSIR releases material event notices without charge). Shipping methods include U.S. mail or similar method, fax, or e-mail. Some NRMSIRs offer data through other methods. One entity provides subscribers a monthly CD-ROM with collected disclosure information for all municipalities having public debt outstanding. For specific disclosure information available and associated costs, the particular repository should be contacted directly.

CURRENT REPOSITORY LISTING

Below is a listing of the current approved NRMSIRs and SIDs (as of March 13, 2002)

Nationally Recognized Municipal Securities Information Repositories (NRMSIRs)

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Web site: none
E-mail: Munis@bloomberg.com

DPC DATA Inc.

NRMSIR
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Web site: www.dpcdata.com/nrmsir/nrmsir.cfm
E-mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
Web site: [www.ftinteractivedata.com/
constants/nrmsir.htm](http://www.ftinteractivedata.com/constants/nrmsir.htm)
E-mail: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository

Attn: Kenny Repository Service
Standard & Poor's J.J. Kenny
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Web site: [www.jjkenny.com/jjkenny/
pser_descrip_data_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)
E-mail: nrmsir_repository@sandp.com

State Information Depositories (SIDs)

Municipal Advisory Council of Texas

P.O. Box 2177
Austin, TX 78768-2177
Phone: (512) 476-6947
Fax: (512) 476-6403
Web site: www.mactexas.com
E-mail: mac@mactexas.com

Municipal Advisory Council of Michigan

1445 First National Building
660 Woodward Avenue
Detroit, MI 48226-3517
Phone: (313) 963-0420
Toll-free: (800) 337-0696
Fax: (313) 963-0943
Web site: www.macmi.com
E-mail: mac@macmi.com

Ohio Municipal Advisory Council

9321 Ravenna Road, Unit K
Twinsburg, OH 44087-2445
Phone: (330) 963-7444
Toll-free: (800) 969-6622
Fax: (330) 963-7553
Web site: www.ohiomac.com
E-mail: Webmaster@www.ohiomac.com

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