



NEWS RELEASE

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Treasurer Lockyer Comments on Strict New Disclosure Rules for Wall Street Banks, Other Bond Underwriters *Requirements Will Protect Taxpayers, States and Local Governments*

SACRAMENTO – State Treasurer Bill Lockyer today issued the following statement on new rules that impose strict disclosure requirements on Wall Street banks and other bond underwriters when they deal with states and local governments:

“The ultimate beneficiaries of these rules are taxpayers. When they sell bonds or conduct other financial transactions, states and local governments are supposed to protect taxpayers’ interests. The rules will help issuers meet that responsibility by ensuring they make better informed decisions when dealing with Wall Street and the rest of the underwriter community.”

The rules by the Municipal Securities Rulemaking Board – which have the force of federal law – take effect August 2012. The rules received final approval late Friday from the U.S. Securities and Exchange Commission. Among other provisions, they require underwriters to:

- Inform states and local governments about: the risks entailed in complex securities transactions; potential conflicts of interest; and compensation received from third-party providers of investments and derivatives.
- Disclose their trading of credit default swaps on bonds issued by the state or local government.
- Have a reasonable basis for representations they make to states and local governments.
- Follow issuers’ rules governing retail order periods.

Additionally, the regulations prohibit excessive compensation for underwriters.

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