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Friday, October 12, 2007

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## SEC Pitches Initiatives Focusing on Standardized Disclosure

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Posted on Tuesday, September 11, 2007  
Source: Bond Buyer

by Andrew Ackerman

The Securities and Exchange Commission is not trying to greatly expand municipal disclosure so much as to standardize it and make it more accessible to investors, an SEC official said at a conference here yesterday.

Andrew Petillon, an associate director in the SEC's Los Angeles regional office, said the initiatives would ultimately save issuers money by making the market more efficient and by lowering borrowing costs.

"If it all works better by adding a few more disclosures and having an EDGAR-type system, those will not add additional costs to issuers, in fact they will make it easier for them to go to market," Petillon said, speaking at The Bond Buyer's 17th annual California Public Finance Conference.

Petillon's comments come about two months after SEC chairman Christopher Cox asked Congress to consider legislation that would make municipal disclosure more like corporate disclosure.

The initiatives include: creating a free, centralized Web site, such as EDGAR, through which investors could easily access such disclosure information; clarifying the legal responsibilities of muni transaction participants; requiring muni issuers to use generally accepted accounting principles or standards, which are issued by the Governmental Accounting Standards Board; and providing an independent source of funding for, and SEC oversight of, GASB.

But the response to Petillon's remarks yesterday was lukewarm at best, at least from issuers and bond attorneys.

The strongest opposing feedback came after Petillon noted that the commission had received largely positive comment letters to the initiatives. A bond attorney asked in a bewildered tone how that was possible because her issuer clients remain "violently" opposed to them.

"The SEC should not extend one iota into our marketplace. This is a capitalist system - if you don't like someone's bonds, don't buy them," said the attorney, who did not want to be identified. "You already have enough power to do what you need to do," she added, referring to the SEC's existing ability to bring enforcement actions against market participants that violate its antifraud provisions.

Kevin M. Civale, a shareholder with Stradling Yocca Carlson & Rauth in Sacramento, said that many issuers are doubtful that the initiatives would be inexpensive and are concerned about costly "regulatory creep."

"The fear is in attempting to get at the bad actors, issuers that are serious about [disclosure] may have to change their practices ... and may have to incur some costs," Civale said.

But Tom Weyl, the chairman of the National Federation of Municipal Analysts, which supports the initiatives, disputed that they would be costly for most issuers. He stressed that the costs would likely be "minimal" for issuers to disclose all material information with investors.

"We're not asking for anything that's not out and we're not asking for anything selectively - we want everyone to see it," said Weyl, who is also manager of municipal research at

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Eaton Vance Management. "It's as simple as the information being posted on a Web site."

Weyl repeatedly referenced \$2.66 billion of Puerto Rico Sales Tax Financing Corp. bonds, sold in July, for which the financing team declined to release an opinion from bond counsel stating that a legislative act passed by the island's legislature would essentially guarantee debt service payments. Though rating agencies said that the deal's A-plus rating hinged on the letter, the underwriter and bond counsel on the transaction declined to provide investors with the letter when they asked for a copy.

In his comments yesterday, Weyl said that the example illustrates daily breaches of the SEC's anti-fraud rules. To resolve the matter, the commission ought to require issuers to disclose all material information they provide credit rating agencies, he said.

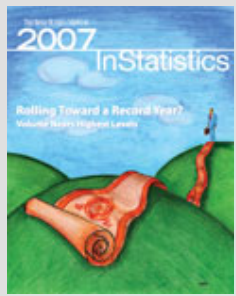
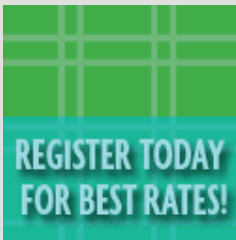
"Most of the information you're divulging to the rating agencies you're doing for the purpose of influencing the rating and that by itself is material," he explained. (c) 2007 The Bond Buyer and SourceMedia, Inc. All Rights Reserved. <http://www.bondbuyer.com/> <http://www.sourcemedia.com/>

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