

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Municipal Securities Disclosure (Exchange Act Rule 15c2-12)

OMB Control Number: 3235-0372

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq. (“PRA”).

A. JUSTIFICATION

1. Necessity of Information Collection

At the time the securities laws first were enacted, the market for most municipal securities was largely confined to limited geographic regions.¹ The localized nature of the market, arguably, allowed investors to be aware of factors affecting the issuer and its securities. Moreover, municipal securities investors were primarily institutions, which in other instances are accorded less structured protection under the federal securities laws.² Since 1933, however, the municipal markets have become nationwide in scope and now include a broader range of investors.³ At the same time that the investor base for municipal securities has become more diverse, the structure of municipal financing has become more complex.⁴ In the era preceding the adoption of the Securities Act of 1933, municipal offerings consisted largely of general obligation bonds.⁵ Today, municipal offerings include greater proportions of revenue bonds that are not backed by the full faith and credit of a governmental entity and which, in many cases, may pose greater credit risks to investors.⁶ In addition, since 2009, municipal issuers and obligated persons have increasingly used direct purchases of municipal securities⁷ and direct loans as alternatives to public offerings of municipal securities.⁸

¹ See Municipal Securities Disclosure, Exchange Act Release No. 26100 (September 22, 1988), 53 FR 37778, 37779 (September 28, 1988) (“1988 Proposing Release”), available at <https://www.sec.gov/files/rules/proposed/1988/34-26100.pdf>.

² Id. (citation omitted).

³ Id.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ For example, an investor purchasing a municipal security directly from an issuer.

⁸ See, e.g., Amendments to Municipal Securities Disclosure, Exchange Act Release No. 83885 (August 20, 2018), 83 FR 44700, 44731 (August 31, 2018) (“[T]he need for more timely and informative disclosure of financial obligations is highlighted by market developments beginning in 2009, which feature the increasing use of direct placements by issuers and obligated persons as financing alternatives to public offerings of municipal securities.”).

Today there are over \$4 trillion of municipal securities outstanding.⁹ Trading volume is also substantial, with over \$3.4 trillion total par amount of long and short-term municipal securities traded in 2023 in approximately 13.1 million transactions.¹⁰ The availability of accurate information concerning municipal offerings is integral to the efficient operation of the municipal securities market.¹¹ In the Commission’s view, a thorough, professional review of municipal offering documents by underwriters could encourage appropriate disclosure of foreseeable risks and accurate descriptions of complex put and call features, as well as novel financing structures now employed in many municipal offerings. In addition, with the increase in novel or complex financing, there may be greater value in having investors receive disclosure documents describing fundamental aspects of their investments. Yet, underwriters are unable to perform this function effectively when disclosure documents are not provided to them on a timely basis.

History of Exchange Act Rule 15c2-12

For these reasons, in 1989, pursuant to Sections 15(c)(1) and (2) of the Securities Exchange Act of 1934, the Commission adopted Rule 15c2-12 (the “Rule” or “Rule 15c2-12”),¹²

⁹ Board of Governors of the Federal Reserve System, Financial Accounts of the United States – Flow of Funds, Balance Sheets, and Integrated Macroeconomic Accounts, at 121, Table L.212 (Second Quarter 2024) (September 12, 2024), available at <https://www.federalreserve.gov/releases/z1/20240912/z1.pdf>.

¹⁰ Municipal Securities Rulemaking Board 2023 Fact Book (“2023 MSRB Factbook”), at 7 & 8, available at <https://www.msrb.org/sites/default/files/2024-02/MSRB-2023-Fact-Book.pdf>.

¹¹ See, e.g., Application of Antifraud Provisions to Public Statements of Issuers and Obligated Persons of Municipal Securities in the Secondary Market: Staff Legal Bulletin No. 21 (OMS) (February 7, 2020), available at <https://www.sec.gov/municipal/application-antifraud-provisions-staff-legal-bulletin-21> (stating that “one of the primary purposes of the federal securities laws is to ensure that the investing public is provided with comprehensive and accurate information about entities whose securities are publicly traded” and a “lack of consistent disclosure impairs investors’ ability to acquire information necessary to make informed decisions, and thus, to protect themselves from fraud”) (internal citations omitted); Remarks of Chairman Jay Clayton at Municipal Securities Disclosure Conference (December 6, 2018), available at <https://www.sec.gov/news/public-statement/statement-clayton-120618> (“Timely and accurate financial information is essential for investors and analysts. Without that, it is challenging to accurately evaluate the current financial condition of a municipal issuer (or any issuer for that matter).”).

¹² Municipal Securities Disclosure, Exchange Act Release No. 26985 (June 28, 1989), 54 FR 28799 (July 10, 1989) (“Rule 15c2-12 Adopting Release”), available at <https://www.sec.gov/files/rules/final/1989/34-26985.pdf>. Unless otherwise specified, the terms “Rule” and “Rule 15c2-12” herein refer to Exchange Act Rule 15c2-12 as adopted in 1989 and amended in 1994, 2008, 2010, and 2018. See 17 CFR 240.15c2-12. The various amendments are discussed below.

a limited rule designed to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to municipal offering statements. In the context of the access to offering statements provided by the Rule, the Commission also reemphasized the existence and nature of an underwriter's obligation to have a reasonable basis for its implied recommendation of any municipal securities that it underwrites.¹³

While the availability of primary offering disclosure increased following the adoption of Rule 15c2-12, there was a continuing concern about the adequacy of disclosure in the secondary market. To enhance the quality, timing, and dissemination of disclosure in the secondary municipal securities market, the Commission in 1994 adopted amendments to Rule 15c2-12 ("1994 Amendments").¹⁴ Among other things, the 1994 Amendments placed certain requirements on brokers, dealers, and municipal securities dealers (each, a "broker-dealer" or, when used in connection with primary offerings, a "Participating Underwriter"). Specifically, under the 1994 Amendments, a Participating Underwriter is prohibited, subject to certain exemptions, from purchasing or selling municipal securities covered by the Rule in a primary offering, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities ("continuing disclosure agreement") to provide specified annual information and event notices to certain information repositories.¹⁵ The information to be provided under Rule 15c2-12 consists of: (1) certain annual financial and operating information and audited financial statements ("annual filings");¹⁶ (2) notices of the occurrence of any of certain specific events ("event notices");¹⁷ and (3) notices of the failure of an issuer or other obligated person to make a submission required by a continuing disclosure agreement ("failure to file notices").¹⁸ Annual filings, event notices, and failure to file notices may be collectively referred to as "continuing disclosure documents."

To further promote the more efficient, effective, and wider availability of municipal securities information to investors and market participants, on December 5, 2008, the

¹³ Rule 15c2-12 Adopting Release, 54 FR at 28803 ("As emphasized in the [1988 Proposing Release], by participating in an offering, an underwriter makes an implied recommendation about the securities. This recommendation implies that the underwriter has a reasonable basis for belief in truthfulness and completeness of the key representations contained in the official statement.").

¹⁴ Municipal Securities Disclosure, Exchange Act Release No. 34961 (November 10, 1994), 59 FR 59590 (November 17, 1994) ("1994 Amendments Adopting Release"), available at <https://www.sec.gov/files/rules/final/adpt6.txt>.

¹⁵ Id., 59 FR at 59590.

¹⁶ 17 CFR 240.15c2-12(b)(5)(i)(A)-(B).

¹⁷ 17 CFR 240.15c2-12(b)(5)(i)(C).

¹⁸ 17 CFR 240.15c2-12(b)(5)(i)(D).

Commission adopted amendments to Rule 15c2-12 (“2008 Amendments”)¹⁹ to provide for a single centralized repository, the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access (“EMMA”) system, for the electronic collection and availability of information about outstanding municipal securities in the secondary market.²⁰ Specifically, the 2008 Amendments require the Participating Underwriter to reasonably determine that the issuer or obligated person has undertaken in its continuing disclosure agreement to provide the continuing disclosure documents: (1) solely to the MSRB; and (2) in an electronic format and accompanied by identifying information, as prescribed by the MSRB.²¹

Further amendments to the Rule adopted on May 26, 2010 (“2010 Amendments”)²²: (i) specified the time period for submission of event notices; (ii) expanded the Rule’s current categories of events; and (iii) modified an exemption in the Rule used for demand securities.²³ The 2010 Amendments were intended to promptly make available to broker-dealers, institutional and retail investors, and others important information about significant events relating to municipal securities and their issuers.²⁴ The 2010 Amendments help enable investors and other municipal securities market participants to be better informed about important events that occur with respect to municipal securities and their issuers, including with respect to demand securities, and thus allow investors to better protect themselves against fraud.²⁵ In addition, the 2010 Amendments provide brokers, dealers, and municipal securities dealers with access to important information about municipal securities that they can use to carry out their obligations under the securities laws.²⁶ This information can be used by individual and institutional investors, underwriters of municipal securities, broker-dealers, analysts, municipal securities issuers, the MSRB, vendors of information regarding municipal securities, Commission staff, and the public generally.²⁷

¹⁹ Amendment to Municipal Securities Disclosure, Exchange Act Release No. 59062 (December 5, 2008), 73 FR 76104 (December 15, 2008) (“2008 Amendments Adopting Release”), available at <https://www.sec.gov/files/rules/final/2008/34-59062fr.pdf>.

²⁰ Id.

²¹ Id.

²² Amendments to Municipal Securities Disclosure, Exchange Act Release No. 62184A (May 26, 2010), 75 FR 33100 (June 10, 2010) (“2010 Amendments Adopting Release”), available at <https://www.sec.gov/files/rules/final/2010/34-62184afr.pdf>.

²³ Id.

²⁴ Id., 75 FR at 33126.

²⁵ Id., 75 FR at 33123 (“Municipal security holders’ access to meaningful information promotes informed investment decision-making about whether to buy, sell, or hold municipal securities and better protection against misrepresentation and fraud.”).

²⁶ Id. (“Availability of that information also will aid brokers, dealers, and municipal securities dealers in complying with their obligations to have a reasonable basis for recommending municipal securities.”).

²⁷ Id., 75 FR at 33127.

Finally, the Commission adopted amendments to the Rule on August 20, 2018 (“2018 Amendments”) in order to further enhance transparency in the municipal securities market.²⁸ The amendments revise the list of event notices a broker, dealer, or municipal securities dealer acting as an underwriter in a primary offering of municipal securities with an aggregate principal amount of \$1,000,000 or more (subject to certain exemptions set forth in the Rule) must reasonably determine that an issuer or an obligated person has undertaken, in a written agreement or contract for the benefit of holders of the municipal securities, to provide to the MSRB.²⁹ The amendments to the Rule became effective on October 30, 2018 with a compliance date of February 27, 2019.³⁰

Overview of Rule 15c2-12

Rule 15c2-12(b)³¹ requires a Participating Underwriter: (1) to obtain and review an official statement “deemed final” by an issuer of the securities, except for the omission of specified information, prior to making a bid, purchase, offer, or sale of municipal securities;³² (2) in non-competitively bid offerings, to send, upon request, a copy of the most recent preliminary official statement (if one exists) to potential customers;³³ (3) to contract with the issuer to receive, within a specified time, sufficient copies of the final official statement to comply with the Rule’s delivery requirement, and the requirements of the rules of the MSRB;³⁴ (4) to send, upon request, a copy of the final official statement to potential customers for a specified period of time;³⁵ and (5) before purchasing or selling municipal securities in connection with an offering, to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide continuing disclosure documents to the MSRB in an electronic format as prescribed by the MSRB.³⁶

Rule 15c2-12(b)(5)(i)³⁷ requires Participating Underwriters to reasonably determine, in connection with an offering, that the issuer or obligated person has undertaken in a continuing

²⁸ Amendments to Municipal Securities Disclosure, Exchange Act Release No. 83885 (August 20, 2018), 83 FR 44700 (August 31, 2018) (“2018 Amendments Adopting Release”), available at <https://www.govinfo.gov/content/pkg/FR-2018-08-31/pdf/2018-18279.pdf>.

²⁹ Id., 83 FR at 44700.

³⁰ Id.

³¹ 17 CFR 240.15c2-12(b).

³² 17 CFR 240.15c2-12(b)(1).

³³ 17 CFR 240.15c2-12(b)(2).

³⁴ 17 CFR 240.15c2-12(b)(3).

³⁵ 17 CFR 240.15c2-12(b)(4).

³⁶ 17 CFR 240.15c2-12(b)(5)(i).

³⁷ 17 CFR 240.15c2-12(b)(5)(i).

disclosure agreement to provide to the MSRB, in an electronic format prescribed by the MSRB, the following, described below:

- Under Rule 15c2-12(b)(5)(i)(A),³⁸ the annual financial information for the issuer or obligated person for whom financial information or operating data is presented in the financial official statement.
- Under Rule 15c2-12(b)(5)(i)(B),³⁹ if not submitted as part of the annual financial information, the audited financial statements for the issuer or obligated person covered by (b)(5)(i)(A), if and when available.
- Under Rule 15c2-12(b)(5)(i)(C),⁴⁰ in a timely manner not in excess of ten business days of the occurrence of the event, notice of any of the following events with respect to the securities being offered in the offering: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the issuer or obligated person; (13) the consummation of a merger, consolidation, or acquisition involving the issuer or obligated person or the sale of all or substantially all of the assets of the issuer or obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of a name of a trustee, if material; (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

³⁸ 17 CFR 240.15c2-12(b)(5)(i)(A).

³⁹ 17 CFR 240.15c2-12(b)(5)(i)(B).

⁴⁰ 17 CFR 240.15c2-12(b)(5)(i)(C).

- Under Rule 15c2-12(b)(5)(i)(D),⁴¹ in a timely manner, notice of a failure of any person specified in paragraph (b)(5)(i)(A)⁴² of the Rule to provide required annual financial information, on or before the date specified in the written agreement or contract.

Rule 15c2-12(c)⁴³ makes it unlawful for a broker-dealer to recommend the purchase or sale of a municipal security unless the broker-dealer has procedures in place that provide reasonable assurance that it will receive prompt notice of any event specified in paragraphs (b)(5)(i)(C),⁴⁴ (b)(5)(i)(D),⁴⁵ and (d)(2)(ii)(B)⁴⁶ of the Rule.

Rule 15c2-12(f)⁴⁷ provides the definition of the term “financial obligation.” The term financial obligation means a (i) debt obligation; (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii).⁴⁸ The term financial obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.⁴⁹

2. Purpose and Use of Information Collection

Under Rule 15c2-12,⁵⁰ the Participating Underwriter is required: (1) to obtain and review a copy of an official statement deemed final by an issuer of the securities, except for the omission of specified information;⁵¹ (2) in non-competitively bid offerings, to make available, upon request, the most recent preliminary official statement, if any;⁵² (3) to contract with the issuer of the securities, or its agent, to receive, within specified time periods, sufficient copies of the issuer’s final official statement to comply both with this rule and any rules of the MSRB;⁵³ (4) to provide, for a specified period of time, copies of the final official statement to any potential customer upon request;⁵⁴ and (5) before purchasing or selling municipal securities in

⁴¹ 17 CFR 240.15c2-12(b)(5)(i)(D).

⁴² 17 CFR 240.15c2-12(b)(5)(i)(A).

⁴³ 17 CFR 240.15c2-12(c).

⁴⁴ 17 CFR 240.15c2-12(b)(5)(i)(C).

⁴⁵ 17 CFR 240.15c2-12(b)(5)(i)(D).

⁴⁶ 17 CFR 240.15c2-12(d)(2)(ii)(B).

⁴⁷ 17 CFR 240.15c2-12(f).

⁴⁸ 17 CFR 240.15c2-12(f)(11)(i).

⁴⁹ 17 CFR 240.15c2-12(f)(11)(ii).

⁵⁰ 17 CFR 240.15c2-12.

⁵¹ 17 CFR 240.15c2-12(b)(1).

⁵² 17 CFR 240.15c2-12(b)(2).

⁵³ 17 CFR 240.15c2-12(b)(3).

⁵⁴ 17 CFR 240.15c2-12(b)(4).

connection with an offering, to reasonably determine that the issuer or other specified person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide certain information about the issue or issuer on a continuing basis to the MSRB.⁵⁵ In addition, it is unlawful for any broker, dealer, or municipal securities dealer to recommend the purchase or sale of a municipal security unless such broker, dealer, or municipal securities dealer has procedures in place that provide reasonable assurance that it will receive prompt notice of any event specified in paragraphs (b)(5)(i)(C),⁵⁶ (b)(5)(i)(D),⁵⁷ and (d)(2)(ii)(B)⁵⁸ of the Rule.

As previously noted, the Rule is designed to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to important information about municipal securities, and to further promote the more efficient, effective, and wider availability of municipal securities information by providing for a single centralized repository, EMMA, for the electronic collection and availability of information about outstanding municipal securities in the secondary market.

The Rule facilitates timely access to important information about municipal securities that Participating Underwriters can use to carry out their obligations under the securities laws, thereby reducing the likelihood of antifraud violations. This information could be used by individual and institutional investors, underwriters of municipal securities, broker-dealers, analysts, municipal securities issuers, the MSRB, vendors of information regarding municipal securities, the Commission and its staff, and the public generally. The Rule enables market participants and the public to be better informed about material events that occur with respect to municipal securities and their issuers and assist investors in making decisions about whether to buy, hold or sell municipal securities.

3. Consideration Given to Information Technology

Since the 1994 Amendments to the Rule, there have been significant advancements in technology and information systems that allow market participants and investors, both retail and institutional, easily, quickly, and inexpensively to obtain information through electronic means. The exponential growth of the Internet and the capacity it affords to investors, particularly retail investors, to obtain, compile, and review information has likely helped to keep investors better informed. In addition to the Commission's EDGAR system, which contains filings by public companies, mutual funds, and municipal advisors, the Commission has increasingly encouraged, and in some cases required, the use of the Internet and websites by public reporting companies, mutual funds, and municipal advisors to provide disclosures and communicate with investors.

In 2008, the Commission adopted amendments to Rule 15c2-12 to provide for a single centralized repository, EMMA, to receive submissions in an electronic format as a means to

⁵⁵ 17 CFR 240.15c2-12(b)(5).

⁵⁶ 17 CFR 240.15c2-12(b)(5)(i)(C).

⁵⁷ 17 CFR 240.15c2-12(b)(5)(i)(D).

⁵⁸ 17 CFR 240.15c2-12(d)(2)(ii)(B).

encourage a more efficient and effective process for the collection and availability of continuing disclosure documents. The Commission continues to believe that the use of EMMA by investors and other market participants has increased efficiency in the collection and availability of continuing disclosure documents.

4. Duplication

The information collection requested from Participating Underwriters is not duplicative, since this information would not otherwise be required by the Commission.

5. Effect on Small Entities

Rule 15c2-12 is one of general applicability that does not depend on the size of a broker-dealer. Since the Rule is designed to apply to all registered broker-dealers, the Rule must apply in the same manner to small as well as large broker-dealers. The Commission believes that many of the substantive requirements of the Rule have been observed by underwriters and issuers as a matter of business practice or to fulfill their existing obligations under the MSRB rules and the general anti-fraud provisions of the federal securities laws. Moreover, the Rule focuses only on offerings of municipal securities of \$1 million or more,⁵⁹ in which any additional costs imposed by the establishment of specific standards are balanced by the potential harm to the large number of investors that may purchase securities based on inaccurate information. The Commission is sensitive to concerns that the Rule not impose unnecessary indirect costs on municipal issuers. When the Rule was proposed, many commenters, including the MSRB and the Public Securities Association (n/k/a the Securities Industry and Financial Markets Association), indicated that the Rule would not impose unnecessary costs or force a majority of responsible issuers to depart from their current practices.⁶⁰ The commenters suggested that the Rule, however, should encourage more effective disclosure practices among those issuers that did not currently provide adequate and timely information to the market.⁶¹ The Rule also contains exemptions for underwriters participating in certain offerings of municipal securities issued in large denominations that (i) are sold to no more than 35 sophisticated investors (“limited offering exemption”), or (ii) have short-term maturities.⁶²

6. Consequences of Not Conducting Collection

The purpose of Rule 15c2-12 is to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to important information about municipal securities. The Commission believes Rule 15c2-12 is reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices in the municipal securities market. Not conducting or narrowing the collection of information set forth in Rule 15c2-12 may jeopardize the protection that Rule 15c2-12 provides. The Commission understands that the Rule imposes a

⁵⁹ 17 CFR 240.15c2-12(a).

⁶⁰ See, e.g., Municipal Securities Disclosure, Exchange Act Release No. 26985 (June 28, 1989), 54 FR 28799, 28802 (July 10, 1989).

⁶¹ Id.

⁶² 17 CFR 240.15c2-12(d)(1).

burden on broker-dealers; however, the Commission seeks to accomplish its goal in the least intrusive manner, by imposing minimal additional costs on broker-dealers while enhancing investor protection. Moreover, the Commission has already limited application of the Rule to primary municipal offerings of \$1 million or more and has incorporated a limited placement exemption into the Rule.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published.⁶³ The Commission received four comment letters in response to this comment solicitation.⁶⁴ Although Commission staff appreciates the information received from these four commenters, it is the view of staff that the estimates contained in the Federal Register notice remain valid and the staff has not made any changes to the Commission's burden estimates based on these comments. As discussed more fully below, it is the view of Commission staff that the comments received either: (i) addressed the information collection burden generally but did not provide any quantified alternative estimate or specific supporting data related to the burden; (ii) included recommendations that were previously considered and addressed by the Commission during rulemaking for the 2018 Amendments, and the commenter provided no rationale as to why the Commission should change the conclusions it had previously reached; or (iii) included suggested changes to the Rule itself that would need to be effected pursuant to a Commission rulemaking and are therefore beyond the scope of the PRA analysis.

Nonetheless, as discussed more fully below, Commission staff has determined to take under advisement many of the comments received and will further study whether they should be applied in future PRA analyses and/or merit potential guidance or rulemaking activities related to

⁶³ See Proposed Collection; Comment Request; Extension: Municipal Securities Disclosure (Exchange Act Rule 15c2-12), 89 FR 88843 (November 8, 2024).

⁶⁴ Letters from Richard Li ("Li Letter"), January 6, 2025 (personally identifiable information redacted by Commission staff); Emily S. Brock, Director, Federal Liaison Center, Government Finance Officers Association ("GFOA Letter"), January 7, 2025; M. Jason Akers, President, National Association of Bond Lawyers ("NABL Letter"), January 7, 2025 (the commenter submitted two versions of this letter with identical substance but slightly different page numbers; the version addressed to Austin Gerig, Director/Chief Data Officer, SEC, is cited herein); Leslie M. Norwood, Managing Director and Associate General Counsel, and Gerald O'Hara, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association ("SIFMA Letter"), January 7, 2025. In addition, Commission staff discussed the 60-day notice, among other things, during a video conference with representatives of Digital Assurance Certification, LLC ("DAC Bond"). See Memorandum from the Office of Municipal Securities regarding a November 12, 2024 meeting with representatives of DAC Bond.

Rule 15c2-12.⁶⁵ Among other things, staff will take under advisement comments suggesting that the Commission should: (i) more effectively survey market participants to obtain PRA burden estimates; (ii) analyze the burdens that Rule 15c2-12 imposes on broker-dealers by offering type (negotiated offering, competitive offering, or private placement), and by the number of underwriters involved in the transaction; (iii) analyze the burdens that compliance with the limited offering exemption imposes on broker-dealers; (iv) update or amend existing guidance on Rule 15c2-12; and (v) update or amend Rule 15c2-12 itself (e.g., by removing the “rating change” event notice).

In addition, Commission staff consulted with MSRB staff concerning the burdens and costs to the MSRB of complying with Rule 15c2-12.

Burden on Issuers / Method of Developing PRA Estimates

One commenter stated that the Commission underestimated the overall burden on issuers to comply with continuing disclosure undertakings entered into pursuant to Rule 15c2-12.⁶⁶ According to this commenter, four specific areas are not “factored into” the Commission’s cost and time estimates: (1) large and medium-sized issuers frequently need to retain dedicated staff or an increased number of dedicated staff to address the ongoing compliance demands of their continuing disclosure obligations;⁶⁷ (2) the burden on issuers significantly increased when new listed events “(15) incurrence of a financial obligation” and “(16) events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties” were added to the Rule;⁶⁸ (3) issuers face ongoing burdens from activities that are “necessarily ancillary” to compliance with undertakings;⁶⁹ and (4) issuers face a compliance burden “interfacing” with the MSRB’s EMMA system.⁷⁰

⁶⁵ Commission staff does not commit to take any course of action following further study of these comments.

⁶⁶ See GFOA Letter, at 1.

⁶⁷ See id., at 1.

⁶⁸ See id., at 1-2 (quoting 17 CFR 240.15c2-12(b)(5)(i)(C)(15), (16)) (internal quotes omitted) (emphasis in original). According to this commenter, such burdens include: more time to consider what obligations fall within the scope of the event notices, discussing the appropriate content of the notices, procuring/consulting with counsel, preparing the event notices themselves, and integrating a substantially larger scope of staff to ensure that all obligations covered by the Rule could be captured. See id., at 2.

⁶⁹ According to this commenter, such burdens include: regularly training staff, developing policies and procedures, retaining ongoing counsel, conducting due diligence on past continuing disclosure filings and making necessary curative filings, and addressing “disconnects” in both when and how filings are made that leads to interpretative disagreements, various views on whether and how curative filings should be made, and what prospective disclosure should contain. See id.

⁷⁰ According to this commenter, issuers routinely do work to ensure they understand EMMA and know how to navigate EMMA to ensure they are properly making their filings. See id. This commenter stated that EMMA can be challenging for issuers to

This commenter further stated that, although it understands the Commission needs to develop the present PRA burden estimates as a matter of statutory requirements, the commenter is “less clear” about the process by which these estimates were compiled.⁷¹ This commenter stated that most of the Commission’s burden estimates related to issuers appear to be based on how much outside counsel will be involved and not enough about the increasing staff time of issuers needed to comply with their undertakings, the costs that process and staff attention impose on issuers, and how that impact affects large-, medium- and small-sized issuers, respectively.⁷² This commenter recommended that the Commission obtain these kinds of estimates through more effective surveying of a wide variety of issuers who have a wide variation of experiences with compliance.⁷³

After consideration, the Commission has not made any changes to its burden estimates based on these comments. With respect to the comment suggesting that the Commission could be more clear about the process by which it develops its PRA burden estimates, Commission staff notes, by way of background, that the PRA requires the Commission to obtain OMB approval at least once every three years to extend the existing information collection provided for in Rule 15c2-12.⁷⁴ To extend the expiration date of an existing collection, the Commission must provide the public with two opportunities to comment (a 60-day Federal Register notice soliciting comments for internal consideration by the Commission, and a 30-day Federal Register notice soliciting comments for consideration by OMB), and then resubmit the information collection request for OMB review, including a Supporting Statement prepared by the Commission.⁷⁵ Commission staff will generally develop the Commission’s PRA burden estimates for such an extension by reviewing the Supporting Statement for the most recent collection that OMB has approved⁷⁶ and, against that baseline, determining whether any

correctly file each necessary filing to each CUSIP, and ensure that all filings have been properly filed to each CUSIP and each appropriate portal and selection on EMMA. See id.

⁷¹ See id.

⁷² See id.

⁷³ See id., at 2-3.

⁷⁴ See 44 U.S.C. 3507(g) (“[OMB] may not approve a collection of information for a period in excess of 3 years.”).

⁷⁵ See generally U.S. General Services Administration & OMB, “A Guide to the Paperwork Reduction Act,” <https://pra.digital.gov> (last visited February 4, 2025) (providing federal agencies with information on the PRA and related processes, including links to relevant “additional resources”).

⁷⁶ All Supporting Statements for extensions of the information collection provided for in Rule 15c2-12 are publicly available by accessing <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=3235-0372>, selecting the relevant “ICR Ref. No.,” and navigating to “View Supporting Statement and Other Documents.” Supporting Statements for new information collections arising from amendments to the Rule are available through the same process. The Commission also

revisions may be appropriate. Commission staff generally makes that determination by, among other things: (1) analyzing recent market data; (2) consulting with the MSRB; (3) consulting with market participants; (4) identifying any relevant trends or changes in circumstances (e.g., inflation); (5) considering any other relevant information that Commission staff may have become aware of (e.g., data provided by market participants outside of the PRA context); and (6) considering any public comments received in response to the 60-day notice. As reflected in prior Supporting Statements, the Commission has generally been more amenable to revising its PRA burden estimates in response to public comments when such comments include quantified alternative estimates as well as specific supporting data.⁷⁷

With respect to the comment that the Commission could more effectively survey issuers to obtain burden estimates, Commission staff acknowledges that it is beneficial for the Commission to receive quantified alternative estimates, specific supporting data, and other responsive information from a wide variety of market participants (including issuers) for the purpose of developing its PRA estimates. Commission staff will therefore take this comment under advisement for future PRA analyses.

With respect to the other comments related to burdens on issuers, Commission staff notes that the commenter did not provide any quantified alternative estimates or supporting data (either generally, with respect to large-, medium-, or small-sized issuers, respectively, or with respect to the four specific areas described above). In addition, it is the view of Commission staff that the Commission's hour and cost estimates generally do take into account examples provided by the commenter. For example, with respect to the two "new" event notices referenced by the commenter, those event notices were added to Rule 15c2-12 as part of the 2018 Amendments, the Commission had previously taken those burdens into account at the time they were adopted,⁷⁸ the Commission doubled the estimated hours burden to complete an average event

provides PRA burden estimates in its proposing releases for amendments to the Rule, and considers any comments received in the adopting releases. *See, e.g.*, 2008 Amendments Adopting Release, 73 FR at 76120, *et seq.* ("Paperwork Reduction Act" section); 2010 Amendments Adopting Release, 75 FR at 33125, *et seq.* (same); 2018 Amendments Adopting Release, 83 FR at 44717, *et seq.* (same).

⁷⁷ *See, e.g.*, PRA Supporting Statement for Rule 15c2-12 (September 24, 2015), at 6, available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201409-3235-042 ("In response to previous comment solicitations in 2008 and 2009 on the [PRA] burdens associated with Rule 15c2-12, the Commission received either no comments, or comments that did not include any quantified alternative estimates or that did not include any supporting data. In contrast to those previous comment solicitations, the Commission received comment letters in response to the 60-day notice that included comments providing specific alternative estimates of the [PRA] burdens of Rule 15c2-12 and specific data to support the commenters' alternative estimates. Based on the new information commenters provided in response to the 60-day notice, Commission staff has revised many of its hourly burden estimates . . .").

⁷⁸ *See* 2018 Amendments Adopting Release, 83 FR at 44717, *et seq.*

notice from two hours to four hours,⁷⁹ and the Commission received no public comments during the prior PRA renewal process in 2021.

Burden on Broker-Dealers

Hours Burden to Reasonably Determine That the Issuer or Obligated Person Has Undertaken, in a Written Agreement or Contract, for the Benefit of Holders of Municipal Securities, to Provide Continuing Disclosure Documents to the MSRB: One commenter stated that the Commission’s estimate of this hours burden—15 minutes (0.25 hours) per issuance of municipal securities—might be reasonable in those instances where a broker-dealer has previously and recently worked with an issuer or obligor that has clearly detailed its written undertaking to provide continuing disclosures to the MSRB, but “at least one hour, and potentially more,” is a more accurate estimate of the average amount of time required for underwriters and potential underwriters to comply with this aspect of the Rule.⁸⁰

After consideration, the Commission has not made any changes to its burden estimate based on this comment. Commission staff notes that the estimate of 15 minutes (0.25 hours) is higher than the estimate initially proposed by the Commission during rulemaking for the 2018 Amendments and is the same estimate proposed during the prior PRA renewal process in 2021, but the Commission received no comments on this burden during either process.⁸¹ Commission

⁷⁹ See 2018 Amendments Adopting Release, 83 FR at 44724 (“In response to comments, the Commission is revising, from two hours to four hours, its estimate of the average time needed for an issuer to prepare and submit an event notice to the MSRB in an electronic format, including time to actively monitor the need for filing. . . . The Commission recognizes that the event notices required by the amendments may on average be more complex and require more than an average of four hours to monitor, evaluate, prepare, and file. But, as discussed below, the Commission believes that the adopted amendments will generate relatively few event notices and that the majority of the event notices required to be filed under the Rule are not as time-consuming for an issuer to monitor, evaluate, prepare, and file.”).

⁸⁰ SIFMA Letter, at 3-4. This commenter noted that there are over 50,000 municipal securities issuers; that issuers and obligors do not always use the same continuing disclosure agreements; that broker-dealers must review each continuing disclosure agreement to determine not only that the undertaking exists, but that it is compliant with the current Rule; and that broker-dealers must review and communicate what operating information the issuer or obligor must provide as part of the undertaking. See *id.*, at 3. This commenter also noted that all of these reviews may require that certain steps be completed and documented for compliance purposes and may also require supervisory procedures and/or approval by multiple individuals at a single firm, which increases the amount of time required to complete the reviews. See *id.*, at 3-4.

⁸¹ See, e.g., 2018 Amendments Adopting Release, 83 FR at 44721 (“Using this new method of calculation, the Commission is revising its estimate that dealers would continue to incur a burden of 2,500 hours per year (10 hours per dealer per year), to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing

staff further notes that, although this commenter has now provided a quantified alternative estimate of “at least one hour,” the commenter did not provide any specific supporting data,⁸² nor did the commenter provide any rationale as to why the Commission should change the conclusions it had previously reached during the rulemaking process for the 2018 Amendments. As stated in the 2018 Amendments Adopting Release⁸³: (i) the Commission understands that most continuing disclosure agreements are provided to the broker-dealer by the issuer or obligated person and that most of these agreements are standard form agreements⁸⁴ of limited length, and (ii) the Commission believes that the determination required to be made—that the issuer or obligated person has undertaken to provide continuing disclosure documents to the MSRB—is a narrow one that does not require a substantial time commitment from the broker-dealer. In the view of Commission staff, the rationale in the 2018 Amendments Adopting Release continues to apply. For the foregoing reasons, it is the view of Commission staff that the estimate of 15 minutes (0.25 hours) burden per issuance continues to be reasonable.

Hours Burden to Determine Whether Issuers or Obligated Persons Have Failed to Comply, in All Material Respects, with Any Previous Undertakings in a Written Contract or Agreement Specified in Paragraph (b)(5)(i) of the Rule: One commenter stated that the Commission’s estimate of this hours burden—9 hours per issuance of municipal securities—materially underestimates the burdens of the Rule on broker-dealers.⁸⁵ According to this

disclosure documents to the MSRB. The Commission estimates that dealers will incur a 15 minute burden per issuance of municipal securities to make this determination, resulting in an annual burden on all dealers of approximately 3,415 hours (approximately 13.7 hours per dealer per year). *This revised estimate constitutes an increase of approximately 915 hours (approximately 3.7 hours per dealer) over the estimates provided in the Proposing Release. No commenter provided an estimate for this burden.*) (emphasis added).

⁸² See, e.g., SIFMA Letter, at 3-4 (commenter stating it “believes” that broker-dealers “can” spend an hour or more with the issuer or obligated person and underwriter’s counsel, and that compliance documentation and supervisory procedures “may” be required).

⁸³ See 2018 Amendments Adopting Release, 83 FR at 44721.

⁸⁴ See *id.*, 83 FR at 44721, note 228 (“Although not required by the Commission, a staff letter suggested that a standard form should be used. See Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, U.S. Securities and Exchange Commission, to John S. Overdorff, Chair, Securities Law and Disclosure Committee, Nat’l Ass’n of Bond Lawyers (Sept. 19, 1995), available at <https://www.sec.gov/info/municipal/nabl-2-interpretive-letter-1995-09-19.pdf> (‘NABL 2’) (stating that such documents ‘should list all events in the same language as is contained in the rule, without any qualifying words or phrases’).”).

⁸⁵ See SIFMA Letter, at 4.

commenter, a more accurate estimate is “a minimum of 10 hours up to a multiple thereof,” depending on a variety of factors.⁸⁶

This commenter also asserted that the Commission’s estimates should distinguish between offering type (negotiated offering, competitive offering, or private placement) and recognize that multiple underwriters may participate in an offering, regardless of offering type.⁸⁷ With respect to negotiated offerings, this commenter stated that the Commission’s estimates do not appear to account for the time spent by certain underwriters, such as co-managers in a syndicate, to draft and/or review the accuracy of the issuer or obligor’s representations in the disclosure compliance statements in the offering documents.⁸⁸ According to this commenter, these steps could add “at least five extra hours in the aggregate” to a deal team’s development and review of an official statement to ensure Rule compliance, over and above the time required for underwriters to review the issuer’s past compliance with continuing disclosure undertakings.⁸⁹

With respect to competitive offerings, this commenter stated that the Commission’s estimates only account for time spent on transactions actually underwritten, and noted that broker-dealers review an issuer’s financial and operational documents as they prepare to submit a bid to act as a Participating Underwriter.⁹⁰ This commenter stated that, although pre-bid initial reviews may not be as extensive as the reviews conducted after becoming Participating Underwriters (or even possible), bid preparation still involves several steps relevant to compliance with the Rule, including a review of the disclosure compliance statement in the deemed final preliminary official statement, or offering document, for accuracy against publicly available financial information and industry news.⁹¹ According to this commenter, the per offering burden to review the financial and operational disclosures in competitive offerings could range from “two to seven times” the Commission’s estimated average per underwriter review time, and this number is “likely even larger” given that multiple underwriters often participate in competitive syndicates.⁹²

⁸⁶ Id., at 4-5. This commenter stated that “[t]his ten-hour estimate is composed of an average initial review of approximately eight hours by the broker-dealer or outside vendor and two hours of additional reviews, investigation and supervisory procedures.” SIFMA Letter, at 5, note 10. This commenter also stated that the burden depends on a variety of factors, including but not limited to: “issuer type; number of their outstanding CUSIP numbers; number of past issuances; complexity of outstanding issuances; public information and statements about the issuer, obligated persons or project; and number of Participating Underwriters.” Id.

⁸⁷ See id., at 5-6.

⁸⁸ See id.

⁸⁹ Id., at 5.

⁹⁰ See id., at 6.

⁹¹ See id.

⁹² Id.

After consideration, the Commission has not made any changes to its burden estimates based on these comments. Commission staff acknowledges that the actual burden on a broker-dealer in a particular issuance of municipal securities may depend on a variety of factors (including offering type and number of underwriters involved), but staff reiterates that the Commission’s burden estimates are intended to be estimated averages across all issuances.⁹³ Staff notes that the Commission arrived at its average burden estimate of 9 hours per issuance of municipal securities after considering and responding to public comments in the course of the 2018 Amendments rulemaking process,⁹⁴ and the Commission received no comments during the prior PRA renewal process in 2021. Commission staff further notes that, although this commenter has provided a quantified alternative estimate of “a minimum of 10 hours up to a multiple thereof,” the commenter did not provide any specific supporting data,⁹⁵ nor did the

⁹³ See, e.g., 2018 Amendments Adopting Release, 83 FR at 44722 (“The Commission understands that burdens will vary across dealers and across specific issuances depending on numerous factors, such as the frequency of issuances by the issuer, size and complexity of the issuer, and the familiarity of the dealer with the issuer. The burden for some dealers will exceed our estimate, and the burden for others will be less.”).

⁹⁴ See, e.g., *id.*, 83 FR at 44721 (“[I]n response to comments, the Commission is now calculating the PRA burdens on dealers under Rule 15c2-12 on a per issuance of municipal securities basis. . . . Under the new method of calculation, the Commission believes that the [2018 Amendments] will, on average, amount to an additional one hour burden per issuance of municipal securities [to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule] Finally, the Commission is revising its prior estimates, predating the proposed amendments, that the total annual burden for dealers to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule is 20,000 hours (80 hours per dealer per year). No commenter provided an estimate for this burden. Under the new method of calculation, the Commission believes that dealers will incur 8 hours of burden per issuance of municipal securities to make this determination The Commission arrived at the 8-hour per issuance burden estimate *after considering (1) the comments addressing the prior burden estimates for dealers under Rule 15c2-12, particularly the comments related to the Commission’s prior PRA submissions; (2) comments addressing the potential that dealer burdens may have shifted as a result of subsequent Commission action; (3) the MSRB’s statistics concerning the number of event notices filed on an annual basis; and (4) the potential volume of documentation to be reviewed under this obligation.*”) (emphasis added).

⁹⁵ See, e.g., SIFMA Letter, at 4-5 (stating that an unspecified number of firms report needing multiple full-time equivalent professionals to handle reviews; that “[m]any” broker-dealers use outside counsel or vendors to conduct primary or supplementary reviews; that “[s]ome” broker-dealers substitute the cost of a vendor report for some of the cost of work that could be done in-house; that vendors “anecdotally” report spending approximately eight hours per initial report; and that underwriters and potential

commenter provide any rationale as to why the Commission should change the conclusions it had previously reached during the 2018 Amendments rulemaking process. Likewise, although this commenter provided quantified alternative estimates related to negotiated offerings (“at least five extra hours in the aggregate”) and competitive offerings (“two to seven times” the Commission’s estimated average per underwriter review time), this commenter did not provide any specific supporting data for either of these purported burdens,⁹⁶ nor did this commenter provide any rationale as to why these burdens may have arisen (or changed) since the 2018 Amendments.

For the foregoing reasons, it is the view of Commission staff that the estimate of 9 hours burden per issuance of municipal securities continues to be reasonable. Commission staff does acknowledge, however, that depending on the availability of specific supporting data, it could potentially be useful in future PRA extensions to analyze the burdens that Rule 15c2-12 imposes by offering type, and by the number of underwriters involved in the transaction. Commission staff will therefore take these comments under advisement.

Hours Burden Related to Broker-Dealers That Recommend Municipal Securities Transactions in the Secondary Market: One commenter asserted that the Commission’s estimates omitted, but should have included, the work broker-dealers undertake to comply with obligations under Rule 15c2-12(c) and MSRB Rule G-47 when making recommendations to buy or sell municipal securities in the secondary market.⁹⁷ Among other things, the commenter stated that, “[w]hile the Commission is correct that broker-dealers have separate obligations to comply with the general anti-fraud provisions of the federal securities laws and MSRB rules, the Rule does impose prescriptive requirements for broker-dealers making recommendations in municipal securities to have systems in place to obtain and review the financial and operational data contained in paragraph (b)(5) of the Rule.”⁹⁸

After consideration, the Commission has not made any changes to its burden estimates based on this comment. Commission staff notes that the Commission had previously considered and addressed similar comments received during the 2018 Amendments rulemaking process (including one from this commenter),⁹⁹ the Commission received no comments on this burden

underwriters completing these reviews therefore “could” spend from a minimum of 10 hours up to a multiple thereof, “depending on a variety of factors”).

⁹⁶ See, e.g., id., at 5 (stating that the requirements “could” add at least five extra hours “in the aggregate” across the entire deal team, i.e., potentially applicable not just to the broker-dealer, but also spread to “the issuer, . . . municipal advisor, and each party’s counsel”); id., at 6 (stating that, according to unspecified “previous anecdotal estimates,” there were on average two bidding underwriters in small competitive transactions, and on average seven bidding underwriters in large competitive transactions, each of which conducts similar reviews for compliance with the Rule).

⁹⁷ See SIFMA Letter, at 6-7.

⁹⁸ Id., at 7.

⁹⁹ See Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA, to Brent J. Fields, Secretary, Commission, dated May 15, 2017, at 4, available at

during the prior 2021 PRA renewal process, and this commenter did not provide any rationale as to why the Commission should change the conclusions it had previously reached during the rulemaking process for the 2018 Amendments. Commission staff further notes that this commenter did not provide any quantified alternative estimates or supporting data for this purported burden.¹⁰⁰

Hours Burden Related to the Limited Offering Exemption: One commenter asserted that the Commission’s estimates omitted, but should have included, the steps that broker-dealers take to conduct and document due diligence in order to rely on the Rule’s limited offering exemption.¹⁰¹ According to this commenter, that hours burden is “a minimum of five aggregate staff hours” per transaction.¹⁰²

After consideration, the Commission has not made any changes to its burden estimates based on this comment. Commission staff notes that, although this commenter provided a quantified alternative estimate of “a minimum of five aggregate staff hours,” the commenter did not provide any specific supporting data.¹⁰³ Commission staff does acknowledge, however, that depending on the availability of specific supporting data, it could potentially be useful for the Commission, in future PRA analyses, to analyze burdens related to the limited offering exemption. Commission staff will therefore take this comment under advisement.

<https://www.sec.gov/comments/s7-01-17/s70117-1753185-151945.pdf>; 2018 Amendments Adopting Release, 83 FR at 44726 (“Under the Rule prior to these amendments and in the Proposing Release, the Commission made no estimate of the burden on dealers effecting transactions in the secondary market to comply with Rule 15c2-12. Two commenters characterized this as an omission. Those commenters cited to obligations, under Rule 15c2-12(c) and MSRB Rule G-47, which those commenters stated required dealers in the secondary market to disclose material information to investors, expressing concern that the proposed amendments would greatly increase the burden on such dealers. . . . The Commission continues to believe that neither the adopted amendments nor Rule 15c2-12 prior to amendment contains ‘collection of information requirements’ within the meaning of the PRA on dealers effecting transactions in the secondary market. Rule 15c2-12(c) requires only that a dealer acting in the secondary market have ‘procedures in place that provide reasonable assurance that it will receive prompt notice of any event disclosed pursuant to paragraph (b)(5)(i)(C), paragraph (b)(5)(i)(D), and paragraph (d)(2)(ii)(B)’ of the Rule. To the extent that dealers effecting transactions in the secondary market review and disclose material to customers, those associated burdens stem from antifraud provisions and MSRB rules that are not subject to this PRA analysis.”).

¹⁰⁰ See, e.g., SIFMA Letter, at 7 (stating that the Rule creates “significant” compliance burdens for broker-dealers making recommendations in the secondary market).

¹⁰¹ See SIFMA Letter, at 7-8.

¹⁰² Id., at 8.

¹⁰³ See, e.g., id. at 8 (stating that, “[a]necdotally,” broker-dealers report that this task can take a minimum of five aggregate staff hours per transaction).

Guidance on Rule 15c2-12

One commenter noted that the Commission's 1994 Interpretive Release to Rule 15c2-12¹⁰⁴ is now over 30 years old, recommended that the Commission take this opportunity to review the existing guidance to Rule 15c2-12, and stated that updates and amendments could be made to reduce the burdens of the Rule.¹⁰⁵ This commenter also provided an example of a topic that, in the commenter's view, would merit such guidance.¹⁰⁶

After consideration, the Commission has not made any changes to its burden estimates based on this comment. Commission staff notes that this commenter did not provide any quantified estimates or supporting data related to the potential reduction in burdens that might be achieved by updates or amendments to the existing Commission guidance on Rule 15c2-12. With respect to the specific example that this commenter suggested would merit guidance, Commission staff notes that, to the extent the specific example would require amendments to Rule 15c2-12, any suggested changes to the Rule itself would need to be effected pursuant to a Commission rulemaking and are beyond the scope of the PRA analysis. Commission staff further notes that the Commission, in the course of rulemaking, had previously considered and addressed comments requesting guidance on other specific topics related to Rule 15c2-12 and the antifraud provisions of the federal securities laws.¹⁰⁷ Finally, Commission staff notes that, in the

¹⁰⁴ See Statement of the Commission Regarding Disclosure Obligations of Municipal Securities Issuers and Others, Exchange Act Release No. 33741 (March 9, 1994), 59 FR 12748 (March 17, 1994) ("1994 Interpretive Release").

¹⁰⁵ See SIFMA Letter, at 8-9.

¹⁰⁶ This commenter appeared to suggest that the Commission should issue guidance deeming certain information maintained on the publicly available website of a municipal securities issuer to be a compliant disclosure under Rule 15c2-12. See *id.*, at 9 ("For example, both the initial Rule and its continuing disclosure amendments were adopted prior to the existence of easily accessible public information about issuers of municipal securities. Most states, large cities and counties, and other municipal securities issuers have publicly available websites on which they maintain the same financial disclosures required by the Rule, plus other useful information. Issuers also often update this public information more frequently than required by the Rule. For these issuers, the Rule's duplicative disclosure provisions may not provide much additional benefit in reducing securities fraud. In these circumstances, the more limited amount of benefit should be weighed against the burdens imposed on issuers, underwriters, and the MSRB.").

¹⁰⁷ See, e.g., 2018 Amendments Adopting Release, 83 FR at 44701, note 13 ("The Commission also provided interpretive guidance [in the 2010 Amendments Adopting Release] on Participating Underwriter responsibilities under the antifraud provisions of the federal securities laws in response to market participants' concerns that some issuers and obligated persons were not consistently submitting continuing disclosure documents in accordance with the undertakings made in their continuing disclosure agreements"); *id.*, 83 FR at 44710 ("[A]s discussed below, the Commission is providing guidance that the term 'debt obligation' generally should be considered to include lease arrangements entered into by issuers and obligated persons that operate as vehicles to borrow money.");

years since the Commission’s 1994 Interpretive Release was issued, staff has on many occasions provided its views on other specific topics related to Rule 15c2-12 and the antifraud provisions of the federal securities laws.¹⁰⁸

Commission staff does acknowledge, however, that—depending on the topic at issue, and the nature of the potential guidance—certain updates or amendments to the existing guidance on Rule 15c2-12 could have the potential to reduce the burdens of the Rule. Commission staff will therefore take this recommendation under advisement.

Changes to Rule 15c2-12

One commenter recommended that the Commission consider amending Rule 15c2-12 to “streamline” the limited offering exemption to reduce impediments to capital formation.¹⁰⁹

In addition, three commenters recommended that the Commission consider amending Rule 15c2-12 to remove the required filing of event notices regarding rating changes.¹¹⁰ These commenters generally asserted that it is unnecessary and duplicative for issuers to file rating change event notices to EMMA because the underlying source of the rating changes, the Nationally Recognized Statistical Rating Organizations (NRSROs), currently submit their rating change information directly to EMMA using an automated process.¹¹¹ A fourth commenter

id., 83 FR at 44714 (“The Commission continues to believe that the guidance provided in the Proposing Release regarding the term ‘guarantee’ accurately sets forth the coverage of guarantee of a debt obligation or derivative instrument entered into in connection with, pledged as security or a source of payment for, an existing or planned debt obligation by the Rule.”).

¹⁰⁸ See generally SEC, Office of Municipal Securities, “Municipal Securities Disclosure,” <https://www.sec.gov/about/divisions-offices/office-municipal-securities/municipal-securities-disclosure> (last visited February 4, 2025) (providing links to no-action letters, staff interpretive guidance, public statements/press releases, and other resources pertaining to municipal securities disclosure); see also, e.g., SEC, Office of Municipal Securities, “Municipal Securities SEC Conferences,” <https://www.sec.gov/about/divisions-offices/office-municipal-securities/municipal-securities-sec-conferences> (last visited February 4, 2025) (providing recordings and materials from recent municipal securities disclosure conferences organized and moderated by Commission staff).

¹⁰⁹ SIFMA Letter, at 8.

¹¹⁰ GFOA Letter; NABL Letter; Li Letter. See 17 CFR 240.15c2-12(b)(5)(i)(C)(11). One of these commenters also requested that the Commission “deem all outstanding Continuing Disclosure Agreement[s] to have the requirement removed unless reaffirmed by an Issuer.” Li Letter.

¹¹¹ See GFOA Letter, at 2 (stating that “Rating Changes are performed by NRSRO’s which are separately required to report rating changes;” “[i]n some instances, the Issuer may not be aware of rating changes because the change relates to another entity, the rating on the financing is tied to the other entity, and the NRSRO does not inform the issuer of the rating change;” “[t]he collection of the ‘(11) Rating Change’ information from the issuer

shared similar concerns, but appeared to suggest that the Commission could potentially address those concerns through staff guidance in lieu of rulemaking.¹¹² With respect to the potential reduction in burdens that might be achieved by removing the rating change event notice from Rule 15c2-12, one commenter asserted that covered persons spent 22,496 hours filing rating change event notices in 2022, and 14,652 hours filing rating change event notices in 2023.¹¹³ This commenter also acknowledged that its request to amend Rule 15c2-12 may be outside of the scope of a PRA review, but recommended that, at a minimum, the Commission should “reexamine the efficacy and necessity of requiring rating changes event notices during its next substantive review of the Rule.”¹¹⁴

After consideration, the Commission has not made any changes to its burden estimates based on these comments. Commission staff notes that any suggested changes to the Rule itself would need to be effected pursuant to a Commission rulemaking and are beyond the scope of the PRA analysis. With respect to the proposal to amend the limited offering exemption, Commission staff notes that the commenter provided no specific recommendation on how the exemption could be “streamlined and amended,”¹¹⁵ and did not provide any quantified estimates or supporting data related to the potential reduction in burdens that might be achieved by amending the exemption. With respect to the proposal to remove the rating change event notice

is not necessary as it is already collected separately from the NRSRO itself;” and “[t]he information from the issuer does not have practical utility since it duplicates the information provided directly from the NRSRO”); NABL Letter, at 1-2 (stating that the rating change information currently available on EMMA renders rating change event notices “redundant and unnecessary;” that “the inclusion of event notices for ratings changes in the Rule creates an unnecessary risk for various covered market participants in the event an issuer or obligated person fails to file a ratings change event notice within ten business days” because “it often . . . lead[s] to additional time spent notifying interested persons of the failure and disclosing it in future offerings of municipal securities.”); Li Letter (stating that “[h]aving the primary source of the rating change (NRSRO) report the information [to EMMA] enhances the quality, utility, and clarity of the information collected;” that “Issuer reporting (secondary source) is not reliable because NRSRO’s are not required to report the change in a timely manner to the Issuer,” and “[t]hat can also cause Issuers to have a ‘failure to file’ due to a 3rd party (NRSRO) not informing the Issuer of the rating change”); and “[n]ot requiring the issuer to ALSO report the information minimizes the burden of the collection of information”).

¹¹² See SIFMA Letter, at 9 (“We believe the SEC or its staff should conclude publicly that these rating agency feeds [sent directly to EMMA from the relevant NRSROs] satisfy issuer filing obligations or, at a minimum, that any issuer failure to file a duplicative notice is not material.”).

¹¹³ See NABL Letter, at 2 (stating that “[t]he PRA review estimates that simple event notices take covered persons 4 hours to complete,” and purporting to multiply that 4-hour burden estimate by the number of rating change event notices filed in 2022 (5,624 according to the commenter) and 2023 (3,663 according to the commenter)).

¹¹⁴ *Id.*, at 2.

¹¹⁵ SIFMA Letter, at 8.

from the Rule, it is the view of Commission staff that the estimated annual hours burdens provided by one of the commenters are likely not precise, nor representative of burdens over the longer term, because: (a) the commenter relied on the Commission’s 4-hour burden estimate for filing non-complex event notices, but that estimate applies to the average time needed to monitor, prepare, and file all sixteen types of event notices included within the Rule,¹¹⁶ and (b) a relatively high number of rating change filings occurred during the 2021-2023 time period, which is likely due to the impact caused by the COVID-19 pandemic.¹¹⁷

Commission staff does acknowledge, however, that certain updates or amendments to Rule 15c2-12 (or the existing guidance on Rule 15c2-12) could potentially reduce the burdens of the Rule. Commission staff will therefore take these recommendations under advisement.

9. Payment or Gift

Not applicable.

10. Confidentiality

No assurances of confidentiality have been provided.

11. Sensitive Questions

No questions of a sensitive nature are asked. The information collection does not collect information about individuals and, therefore, a Privacy Impact Assessment, System of Records Notice, and Privacy Act Statement are not required.

12. Information Collection Burden

a. Broker-Dealers

Rule 15c2-12 imposes ongoing third-party disclosure burdens on broker-dealers that act as Participating Underwriters in offerings of municipal securities. The Commission calculates the PRA burdens on broker-dealers under Rule 15c2-12 on a “per issuance of municipal securities” basis. The Commission believes this is appropriate because a broker-dealer’s obligations under Rule 15c2-12 are triggered only by acting as a Participating Underwriter in an offering of municipal securities. This method is consistent with the Commission’s estimates of the PRA burden on issuers under the Rule, which are similarly calculated on a per event basis (see further below). The Commission is basing its estimate on the average number of primary market submissions to the MSRB over the past three years – 10,968.¹¹⁸

¹¹⁶ See supra Section 12.b.

¹¹⁷ For instance, this commenter cited the MSRB’s 2023 Factbook to note that 5,624 rating change event notices occurred in 2022 (see NABL Letter, at 2), but of those 5,624 rating change event notices, over half occurred a year after the start of the pandemic (2,054 in March 2022 alone and 1,070 in April 2022 alone) (see 2023 MSRB Factbook at 71).

¹¹⁸ In 2021 there were 13,697 primary market submissions to the MSRB, in 2022 there were 9,982 primary market submissions to the MSRB, and in 2023 there were 9,226 primary market submissions to the MSRB. $13,697 + 9,982 + 9,226 = 32,905$. $32,905 \div 3 =$

Based on estimates provided by the MSRB, the Commission estimates that, over the last three years, an average of 205 broker-dealers served as a Participating Underwriter in municipal securities offerings.¹¹⁹ Accordingly, the Commission estimates that approximately 205 broker-dealers could serve as a Participating Underwriter in municipal securities offerings over the next three years. Further, the Commission estimates that broker-dealers will incur a 15 minute (0.25 hour) burden per issuance of municipal securities to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB, resulting in an annual burden on all broker-dealers of approximately 2,742 hours (approximately 13.4 hours per broker-dealer per year).¹²⁰ However, as stated in the 2018 Amendments Adopting Release¹²¹: (i) the Commission understands that most continuing disclosure agreements are provided to the broker-dealer by the issuer or obligated person and that most of these agreements are standard form agreements¹²² of limited length, and (ii) the Commission believes that the determination required to be made—that the issuer or obligated person has undertaken to provide continuing disclosure documents to the MSRB—is a narrow one that does not require a substantial time commitment from the broker-dealer. For these reasons, the Commission believes the estimate of a 15 minute burden per issuance is appropriate.

10,968.33. See Municipal Securities Rulemaking Board 2022 Fact Book (“2022 MSRB Factbook”), at 64, available at <https://www.msrb.org/sites/default/files/2023-03/MSRB-2022-Fact-Book.pdf> (covering 2021 and 2022); MSRB 2023 Fact Book at 64 (covering 2023).

¹¹⁹ The MSRB estimates that 214 broker-dealers served as a Participating Underwriter in municipal securities offerings in the year ending October 1, 2021, 205 broker-dealers served as a Participating Underwriter in municipal securities offerings in the year ending October 1, 2022, and 195 broker-dealers served as a Participating Underwriter in municipal securities offerings in the year ending October 1, 2023. $214 + 205 + 195 = 614$. $614 \div 3 = 204.67$.

¹²⁰ $10,968$ (estimated annual issuances) \times 0.25 (hourly burden to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide continuing disclosure documents to the MSRB) = $2,742$ hours. $2,742$ hours \div 205 (estimated number of broker-dealers) = 13.38 hours.

¹²¹ See 2018 Amendments Adopting Release, 83 FR at 44721.

¹²² See *id.*, 83 FR at 44721, note 228 (“Although not required by the Commission, a staff letter suggested that a standard form should be used. See Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, U.S. Securities and Exchange Commission, to John S. Overdorff, Chair, Securities Law and Disclosure Committee, Nat’l Ass’n of Bond Lawyers (Sept. 19, 1995), available at <https://www.sec.gov/info/municipal/nabl-2-interpretive-letter-1995-09-19.pdf> (‘NABL 2’) (stating that such documents ‘should list all events in the same language as is contained in the rule, without any qualifying words or phrases’).”).

The Commission further estimates that broker-dealers will incur 9 hours of burden per issuance of municipal securities to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule, resulting in an annual burden on broker-dealers of 98,712 hours (approximately 482 hours per broker-dealer per year).¹²³ The Commission arrived at the 9 hour per issuance burden estimate after considering (1) the comments addressing the burden estimates for broker-dealers under Rule 15c2-12 received as part of the rulemaking process in adopting the 2018 Amendments to the Rule;¹²⁴ (2) the MSRB's statistics concerning the number of event notices filed on an annual basis;¹²⁵ and (3) the potential volume of documentation to be reviewed under this obligation. Based on these considerations—and in light of the Commission's experience—the Commission believes that the estimate of an average burden of 9 hours per issuance is appropriate.

With respect to broker-dealers effecting transactions in the secondary market, the Commission continues to believe that Rule 15c2-12 does not contain “collection of information requirements” within the meaning of the PRA. Rule 15c2-12(c) requires only that a broker-dealer acting in the secondary market have “procedures in place that provide reasonable assurance that it will receive prompt notice of any event disclosed pursuant to paragraph (b)(5)(i)(C), paragraph (b)(5)(i)(D), and paragraph (d)(2)(ii)(B)” of the Rule. To the extent that broker-dealers effecting transactions in the secondary market review and disclose material to customers, those associated burdens stem from antifraud provisions in the securities laws and MSRB rules that are not subject to this PRA analysis.

Accordingly, the Commission estimates that the total annual burden for all broker-dealers will be 101,454 hours (approximately 495 hours per broker-dealer per year),¹²⁶ or an average of 9.25 hours per issuance of municipal securities.¹²⁷ The Commission understands that burdens

¹²³ 10,968 (estimated annual issuances) x 9 (average burden estimate per issuance for broker-dealers to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule) = 98,712 hours. 98,712 hours ÷ 205 (estimated number of broker-dealers) = 481.52 hours.

¹²⁴ See, e.g., Amendments to Municipal Securities Disclosure, Exchange Act Release No. 83885 (August 20, 2018), 83 FR 44700, 44720 (August 31, 2018).

¹²⁵ See MSRB 2022 Fact Book at 67-68; MSRB 2023 Fact Book at 67-68.

¹²⁶ 98,712 hours (estimate of broker-dealer burden to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule) + 2,742 hours (annual estimate for broker-dealers to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide continuing disclosure documents to the MSRB) = 101,454 hours. 101,454 hours ÷ 205 (estimated number of broker-dealers) = 494.9 hours.

¹²⁷ 0.25 hours (estimate of burden per issuance for broker-dealer to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for

will vary across broker-dealers and across specific issuances depending on numerous factors, such as the frequency of issuances by the issuer, size and complexity of the issuer, and the familiarity of the broker-dealer with the issuer. The burden for some broker-dealers will exceed our estimate, and the burden for others will be less. However, the Commission believes, on balance, that 101,454 hours (on average approximately 495 hours per broker-dealer per year), is a reasonable estimate for the time needed for broker-dealers to comply with their obligations under Rule 15c2-12.

b. Issuers

Rule 15c2-12 indirectly imposes ongoing third-party disclosure burdens on issuers that determine to engage a broker-dealer to act as a Participating Underwriter in an offering of municipal securities. Based on information provided by the MSRB to Commission staff, the Commission estimates that approximately 28,000 issuers will be subject to continuing disclosure agreements consistent with Rule 15c2-12 over the next three years. The Commission estimates that such issuers will prepare and submit annually: (1) 49,958 event notices,¹²⁸ with each notice taking approximately four hours to prepare and submit,¹²⁹ for an annual burden of 199,832 hours;¹³⁰ (2) 65,082 annual filings,¹³¹ with each filing taking approximately seven hours to prepare and submit, for an annual burden of 455,574 hours;¹³² and (3) 3,680 failure to file

the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB) + 9 hours (estimate of burden per issuance for broker-dealers to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule) = 9.25 hours per issuance.

¹²⁸ According to the MSRB, there were a total of 57,779 event notices filed in 2021, 50,125 event notices filed in 2022, and 41,971 event notices filed in 2023. See 2023 MSRB Fact Book at 66 (covering all three years). $57,779 + 50,125 + 41,971 = 149,875$. $149,875 \div 3 = 49,958.33$. The Commission notes that the relatively high number of filings in 2021 is likely due to the impact caused by the COVID-19 pandemic.

¹²⁹ This four-hour estimate applies to the average time needed to monitor, prepare, and file all sixteen types of event notices included within the Rule.

¹³⁰ $49,958 \text{ event notices} \times 4 \text{ hours} = 199,832 \text{ hours}$.

¹³¹ According to the MSRB, there were a total of 64,349 annual filings submitted in 2021, 64,606 annual filings submitted in 2022, and 66,290 annual filings submitted in 2023. See 2022 MSRB Fact Book at 67-68 (total annual filings for 2021 and 2022 calculated by adding monthly totals for “Audited Financial Statements or ACFR Submissions” and “Annual Financial Information and Operating Data Submissions” for each respective year); 2023 MSRB Fact Book at 67-68 (same for 2023). $64,349 + 64,606 + 66,290 = 195,245$. $195,245 \div 3 = 65,081.67$.

¹³² $65,082 \text{ annual filings} \times 7 \text{ hours} = 455,574 \text{ hours}$.

notices,¹³³ with each notice taking approximately two hours to prepare and submit, for an annual burden of 7,360 hours.¹³⁴ Accordingly, the Commission estimates that issuers will incur a total annual burden of 662,766 hours.¹³⁵

c. MSRB

Rule 15c2-12 imposes ongoing recordkeeping burdens on the MSRB. Based on estimates provided by the MSRB, the Commission estimates that, over the last three years, the MSRB has incurred an annual burden of approximately 22,000 hours to collect, index, store, retrieve, and make available the pertinent continuing disclosure documents under the Rule. Accordingly, the Commission estimates that the total burden on the MSRB to collect, store, retrieve, and make available the disclosure documents covered by the Rule would be 22,000 hours each year over the next three years.

d. Summary of Hourly Burdens

The tables below set forth the Commission’s estimates of the total hourly burdens for all respondents under Rule 15c2-12.

THIRD-PARTY DISCLOSURE BURDEN ESTIMATES

	Responses	Annual Burden (hours)
Broker-dealers	10,968	101,454
Issuers (annual filings)	65,082	455,574
Issuers (event notices)	49,958	199,832
Issuers (failure to file notices)	3,680	7,360
Issuers that use the services of a designated agent to submit continuing disclosure documents	18,200 ¹³⁶	0
Total Estimates	147,888	764,220

¹³³ According to the MSRB, there were a total of 3,717 failure to file notices submitted in 2021, 3,579 failure to file notices submitted in 2022, and 3,744 failure to file notices submitted in 2023. See 2022 MSRB Fact Book at 69 & 72 (total failure to file notices for 2021 and 2022 calculated by adding the “Failure to Provide Annual Financial Information” disclosure type and the “Failure to Provide Event Filing Information” event disclosure type for each respective year); 2023 MSRB Fact Book at 69 & 72 (same for 2023). $3,717 + 3,579 + 3,744 = 11,040$. $11,040 \div 3 = 3,680$.

¹³⁴ $3,680$ failure to file notices x 2 hours = 7,360 hours.

¹³⁵ $199,832$ hours (event notices) + $455,574$ hours (annual filings) + $7,360$ hours (failure to file notices) = 662,766 hours.

¹³⁶ See *infra* Section 13.b.

MSRB RECORDKEEPING BURDEN ESTIMATES

	Responses	Annual Burden (hours)
Municipal Securities Rulemaking Board	1	22,000

13. Cost to Respondents

a. Broker-Dealers

Not applicable. The Commission does not believe that broker-dealer respondents will incur any costs to comply with Rule 15c2-12.

b. Issuers

The Commission acknowledges that some issuers may use the services of designated agents to submit continuing disclosure documents. Based on information provided by the MSRB to Commission staff, the Commission estimates that (1) up to 65% of issuers may use the services of a designated agent over the next three years, and (2) the number of issuers subject to continuing disclosure agreements with broker-dealers consistent with the Rule is 28,000. Further, the Commission estimates that the average annual cost for an issuer's use of a designated agent is \$970 each year. Accordingly, the Commission estimates an average total annual cost that will be incurred by issuers using the services of a designated agent for the Rule of \$17,654,000.¹³⁷

In addition, the Commission acknowledges that some issuers may retain outside counsel to assist in the evaluation and preparation of some of the more complex event notices. Based on its experience, the Commission believes a reasonable estimate is that issuers may retain outside counsel on 1,000 event notices in each of the next three years, while preparing the other event notices solely internally. The Commission further believes that, for those 1,000 complex event notices in which issuers and obligated persons seek assistance from outside counsel, one-half of the burden of preparation of the event notices (including time for monitoring and evaluation) will be carried by issuers internally (four hours), and the other half of the burden will be carried by outside professionals retained by the issuer (four hours). Further, the Commission estimates that the average hourly cost for an issuer's use of outside counsel is \$400 per hour. Thus, the Commission estimates that issuers will incur an approximate annual total cost of \$1,600,000¹³⁸

¹³⁷ 28,000 (number of issuers subject to continuing disclosure agreements) x 0.65 (percentage of issuers that may use designated agents) = 18,200 issuers that may use designated agents. 18,200 x \$970 (estimated average annual cost for issuer's use of designated agent under the Rule) = \$17,654,000.

¹³⁸ 1,000 (number of event notices requiring outside counsel) x 4 (estimated hours for outside attorney to assist in the preparation of such event notice) x \$400 (hourly cost for

to employ outside counsel to assist in the examination, preparation, and filing of certain event notices under Rule 15c2-12.

c. MSRB

The Commission acknowledges that the MSRB may expend annual costs attributed to EMMA’s continuing disclosure program, including hardware, software, and external third-party costs. MSRB staff estimates that, over the past three years, the MSRB expended approximately \$341,000 annually on hardware and software costs along with an additional approximate \$897,000 spent annually on external third-party costs such as cloud service provider costs. Thus, the MSRB expended approximately \$1,238,000 annually to support EMMA’s continuing disclosure program over the past three years.¹³⁹

Accordingly, the Commission estimates the total costs to the MSRB under Rule 15c2-12 are approximately \$1,238,000 annually over the next three years.

d. Summary of Cost Burdens

The tables below summarize the Commission’s estimate of the annual cost burdens for all respondents under Rule 15c2-12.¹⁴⁰

THIRD-PARTY DISCLOSURE COST ESTIMATES	
	Annual Cost
Broker-dealers	\$0
Issuers (annual filings)	\$0
Issuers (event notices)	\$1,600,000
Issuers (failure to file notices)	\$0
Issuers that use the services of a designated agent to submit continuing disclosure documents	\$17,654,000
Total Estimates	\$19,254,000

an outside attorney) = \$1,600,000. The Commission recognizes that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis we estimate that costs of outside counsel would be an average of \$400 per hour.

¹³⁹ \$341,000 (hardware and software costs) + \$897,000 (third-party costs) = \$1,238,000.

¹⁴⁰ \$1,600,000 (annual cost to employ outside counsel to assist in preparation of certain event notices) + \$17,654,000 (annual cost to employ designated agents to submit event notices) = \$19,254,000.

MSRB RECORDKEEPING COST ESTIMATES

	Annual Cost
Municipal Securities Rulemaking Board	\$1,238,000

14. Costs to Federal Government

Cost to the federal government results from appropriate regulatory agency staff time and related overhead costs for inspection and examination for compliance with requirements of the Rule. Since the Commission inspects broker-dealers regularly, inspection for compliance with the requirements of this Rule is a part of the overall broker-dealer inspection. Thus, the Commission uses little additional resources to ensure compliance with the Rule. Commission staff estimates that approximately 100 hours of staff time per year are devoted to ensuring compliance with the requirements of the Rule at a cost of \$8,500 per year.

15. Changes in Burden

The Commission has revised its estimates of time burdens based upon updated market data obtained since the prior PRA renewal process in 2021:

- Broker-Dealers Third-Party Disclosure: The decrease in annual time burden for this collection is due to the estimated average number of respondents decreasing by 45, from approximately 250 to approximately 205, and the estimated average number of municipal securities offerings decreasing by 1,492, from approximately 12,460 to approximately 10,968. These changes are derived from recently obtained data showing that, on average, both the number of municipal securities offerings as well as the number of broker-dealers acting as a Participating Underwriter in a municipal securities offering have decreased over the past three years.¹⁴¹
- Issuers Third-Party Disclosure: Event Notices: The decrease in annual time burden for this collection is due to the estimated average number of event notices submitted by issuers decreasing by 4,163, from approximately 54,121 to approximately 49,958. This change is derived from recently obtained data showing that, on average, the number of event notices submitted by issuers decreased over the past three years.¹⁴²

¹⁴¹ See supra Section 12.a.

¹⁴² See supra Section 12.b. Separately, the annual number of responses estimated for this collection decreased by 58,284, from 108,242 to 49,958. This decrease is due to the Commission selecting a time period of “Year” for this collection rather than “Semi-annual (2 per year)” as it had selected during the prior PRA renewal process. In the prior renewal, the Commission had estimated the average number of annual filings to be 54,121 but selected a time period of “Semi-annual (2 per year)” in its submission, resulting in an approval of 108,242 annual responses (54,121 x 2) rather than the intended estimate of 54,121 annual responses. Compare PRA Supporting Statement for Rule 15c2-

- Issuers Third-Party Disclosure: Failure to File Notices: The increase in annual time burden for this collection is due to the estimated average number of failure to file notices submitted by issuers increasing by 83, from approximately 3,597 to approximately 3,680. This change is derived from recently obtained data showing that, on average, the number of failure to file notices submitted by issuers increased over the past three years.¹⁴³
- Issuers Third-Party Disclosure: Annual Filings: The increase in annual time burden for this collection is due to the estimated average number of annual filings submitted by issuers increasing by 3,118, from approximately 61,964 to approximately 65,082. This change is derived from recently obtained data showing that, on average, the number of annual filings submitted by issuers increased over the past three years.¹⁴⁴
- MSRB Recordkeeping: The decrease in annual time burden for this collection is due to the estimated average time that it would take the MSRB to collect, index, store, retrieve, and make available the pertinent continuing disclosure documents under Rule 15c2-12 decreasing by 3,000 hours, from 25,000 hours to 22,000 hours. This change is derived

12 (February 8, 2022), at 11, available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202110-3235-016 (estimating 54,121 annual responses), with Reginfo.gov, ICR Reference No. 202110-3235-016, “View Information Collection (IC): Issuers (Event Notices) Third Party Disclosure,” https://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=202110-3235-016&icID=215165 (approving 108,242 annual responses). Accordingly, this change in the estimated annual number of responses should be read as a decrease from 54,121 to 49,958 rather than a decrease from 108,242 to 49,958.

¹⁴³ See supra Section 12.b.

¹⁴⁴ See supra Section 12.b. Separately, the annual number of responses estimated for this collection decreased by 58,846, from 123,928 to 65,082. This decrease is due to the Commission selecting a time period of “Year” for this collection rather than “Semi-annual (2 per year)” as it had selected during the prior PRA renewal process. In the prior renewal, the Commission had estimated the average number of annual filings to be 61,964 but selected a time period of “Semi-annual (2 per year)” in its submission, resulting in an approval of 123,928 annual responses (61,964 x 2) rather than the intended estimate of 61,964 annual responses. Compare PRA Supporting Statement for Rule 15c2-12 (February 8, 2022), at 11, available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202110-3235-016 (estimating 61,964 annual responses), with Reginfo.gov, ICR Reference No. 202110-3235-016, “View Information Collection (IC): Issuers Annual Filing Third-Party Disclosure,” https://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=202110-3235-016&icID=34930 (approving 123,928 annual responses). Accordingly, this change in the estimated annual number of responses should be read as an increase from 61,964 to 65,082 rather than a decrease from 123,928 to 65,082.

from recently obtained data provided by the MSRB showing that, on average, the MSRB's recordkeeping burden has decreased over the past three years.¹⁴⁵

The Commission has revised its estimates of cost burdens based upon updated market data obtained since the prior PRA renewal process in 2021:

- Issuers Third-Party Disclosure: Event Notices: The decrease in annual cost for this collection is due to the estimated average number of complex event notices that issuers may retain outside counsel to evaluate and prepare decreasing by 100, from approximately 1,100 to approximately 1,000. This change is derived from recently obtained data showing that, on average, the overall number of event notices submitted by issuers decreased over the past three years.¹⁴⁶
- Issuers Third-Party Disclosure: Issuers That Use the Services of a Designated Agent: The increase in annual cost for this collection is due to the Commission increasing the estimated average hourly rate for a designated agent by \$120/hour, from \$850/hour to \$970/hour. This change is derived from adjusting the original \$850/hour figure for inflation.
- One-Time Cost for Issuers to Revise Continuing Disclosure Agreement: The Commission's estimate of issuer cost burdens no longer includes the one-time estimate of \$2,800,000 that was included within the prior PRA renewal process in 2021. The Commission had previously included this estimate to account for the approximate cost that issuers would incur to employ outside attorneys to update their continuing disclosure agreement templates in response to the 2018 Amendments. This cost estimate was a temporary inclusion that was intended to be shown as a cost incurred only once by issuers.

¹⁴⁵ See supra Section 12.c.

¹⁴⁶ See supra Sections 12.b. and 13.b. The decrease in annual cost burden estimated for this collection is also due to the Commission selecting a time period of "Year" for this collection rather than "Semi-annual (2 per year)" as it had selected during the prior PRA renewal process. In the prior renewal, the Commission had estimated the approximate annual total cost to be \$1,760,000 but selected a time period of "Semi-annual (2 per year)" in its submission, resulting in an approval of \$3,519,998 (approximately \$1,760,000 x 2) rather than the intended estimate of \$1,760,000. Compare PRA Supporting Statement for Rule 15c2-12 (February 8, 2022), at 13, available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202110-3235-016 (estimating \$1,760,000 annual cost), with Reginfo.gov, ICR Reference No. 202110-3235-016, "View Information Collection (IC): Issuers (Event Notices) Third Party Disclosure," https://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=202110-3235-016&icID=215165 (approving \$3,519,998 annual cost). Accordingly, this change in the estimated annual cost burden should be read as a decrease from \$1,760,000 to \$1,600,000 rather than a decrease from \$3,519,998 to \$1,600,000.

- MSRB Recordkeeping: The increase in annual cost for this collection is due to the estimated average cost for the MSRB to collect, index, store, retrieve, and make available the pertinent continuing disclosure documents under Rule 15c2-12 increasing by \$183,000, from \$1,055,000 to \$1,238,000. This change is derived from recently obtained data provided by the MSRB showing that, on average, the MSRB's total recordkeeping costs attributed to EMMA's continuing disclosure program have increased over the past three years.¹⁴⁷
- Federal Government: The increase in annual cost to the federal government is due to the Commission increasing the estimated annual cost by \$1,600, from \$6,900/year to \$8,500/year. This change is derived from adjusting the original \$6,900/year figure for inflation.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.

¹⁴⁷ See supra Section 13.c.