

Public Finance Reminder: Change in Credit Rating Material Event Notices

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As a reminder, it is still necessary for issuers or other obligated persons to file a material events notice regarding rating changes on bonds or other obligations, whether or not the rating agency makes such information public. As a practical matter, ratings changes have been frequently overlooked.

Notices must be posted electronically to the [Electronic Municipal Marketplace Access \(EMMA\)](#), a service provided by the Municipal Securities Rulemaking Board (MSRB). Whether a rating change involves an upgrade or a downgrade, it is necessary to post such changes to EMMA in compliance with SEC Rule 15c2-12, even though municipal ratings are usually considered public knowledge. Typically, a change in “outlook” (such as stable, positive or negative) is not considered a rating change for the purpose of Rule 15c2-12, although there is no prohibition in voluntarily posting a notice of such a change on EMMA.

In the absence of an exception, SEC Rule 15c2-12 mandates that underwriters of municipal securities ensure issuers or other obligated persons undertake to provide to the public continuing disclosure information presumed to be important to investors by filing that information with EMMA. Among other things, Rule 15c2-12(i)(C) requires issuers or obligated persons who have agreed to a continuing disclosure undertaking must provide the MSRB notice of: (a) payment delinquencies and defaults; (b) unscheduled draws on debt service reserves or credit enhancements; (c) substitution of credit or liquidity providers; (d) adverse opinions or notices from the Internal Revenue Service (IRS); (e) bond calls or tender offers; (f) defeasances; (g) bankruptcy; and (h) ratings changes. Although there are other material events, those material events are qualified by a “materiality” standard. Any issuer or obligated person who has agreed to a continuing disclosure undertaking must notify the MSRB of the forgoing events within 10 business days.

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