

INSIGHTS

SEC Modifies MCDC Terms: Extends Issuer Deadline to 12/01/2014, Lowers Penalty Cap for Small Underwriters; Recognizes Pre-EMMA Limitations

August 1, 2014

By: [***Britt Cass Steckman***](#)

The Securities and Exchange Commission has announced modifications to the terms of its *Municipalities Continuing Disclosure Cooperation (MCDC) Initiative* (click [here](#) for our prior alerts). In a press release issued late in the afternoon July 31, 2014, the SEC modified the terms of the MCDC Initiative by:

1. Extending the *deadline for Issuers and Obligated Persons* to self-report until 5:00 p.m. EST December 1, 2014. The deadline for Underwriters remains unchanged at midnight September 9, 2014.
2. Reducing the penalty cap for small underwriters by adopting a tiered approach, based on the underwriter's Annual Audited Report – Form X-17A-5 Part III for the underwriter's fiscal year 2013, as follows:

For underwriters with 2013 reported total annual revenue of more than \$100 million: \$500,000;

For underwriters with 2013 reported total annual revenue between \$20 million and \$100 million: \$250,000; and

For underwriters with 2013 reported total annual revenue of less than \$20 million: \$100,000.

3. Recognizing the flaws in the pre-EMMA NRMSIR system. Acknowledging that “some municipal underwriters and issuers have experienced difficulties in identifying potential violations” in reviewing compliance during the pre-EMMA years, “the division will consider reasonable, good faith, and documented efforts” made by self-reporters in deciding whether to recommend enforcement action and, to the extent enforcement action is recommended, in determining relief for “violations identified by the division after the expiration of the initiative.”

For a copy of the SEC Press Release, click [here](#).