



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON, COMPTROLLER  
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## NEWS RELEASE

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### COMPTROLLER WILSON SUPPORTS PROPOSED SEC RULE CHANGES FOR MUNICIPAL BOND TRANSACTIONS AS A POSITIVE STEP

**NASHVILLE, Tenn.** –Comptroller Justin P. Wilson describes rule changes for municipal bond transactions proposed this week by the U. S. Securities and Exchange Commission as a positivestep, but not a complete solution.

The SEC proposed several amendments that generally increase the amount of information securities brokers must provide to investors who buy municipal bonds.

“As I’ve consistently said, I favor greater disclosure of information in municipal bond transactions,” Wilson said. “The SEC changes seem geared toward making sure investors are armed with the kind of information they need to decide whether or not to purchase a particular municipal bond. My primary focus has been different. I want Tennessee’s cities and counties and their taxpayers to understand what they’re getting themselves into when they borrow money.”

Last month, Wilson called for public comment on his proposal to increase disclosure in municipal bond transactions. Wilson said he plans to use input from the public comment to craft a debt management policy for local governments, with particular emphasis on variable rate transactions.

One amendment proposed by the SEC would require brokers to have a reasonable belief that state or local governments selling bonds have disclosed a previous history of failing to make bond payments or having their credit ratings downgraded.

Another proposed amendment would require brokers to have a reasonable basis for recommending any municipal securities to investors.

The SEC is also seeking public comment on its proposed amendments.

Wilson said it makes sense for the SEC to adopt regulations.

“Frankly, it makes our job easier at the state level whenever the federal government adds appropriate safeguards for municipal bond transactions,” Wilson said. “It’s important that investors know about the financial strength of the institutions in which they invest. I just want to make sure that Tennessee taxpayers, who are ultimately responsible for repaying the debt on municipal bonds, know what they’re getting into as well. The taxpayers, through their local government representatives, need to properly understand the risks involved in these transactions.”

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The SEC only regulates municipal bond transactions indirectly, by focusing on the disclosures made to transaction brokers and underwriters.

“That’s a limitation that was put in place to preserve our federalist system of government.” Wilson said. “While the SEC can’t directly regulate the local governments who enter into these transactions, state governments can. Tennessee should be a leader in creating the proper safeguards to ensure that people on both ends of the transactions – borrowers as well as investors – go into these deals with their eyes wide open.”

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