



**GEORGIA STATE
FINANCING AND
INVESTMENT
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May 15, 2017

The Honorable Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Amendment to Exchange Act Rule 15c2-12
File No. S7-01-17
Release No. 34-80130

Dear Secretary Fields:

On behalf of the Georgia State Financing and Investment Commission (GSFIC), we appreciate the opportunity to respond to the request for comment on the proposed amendments to Securities and Exchange Commission (SEC) Rule 15c2-12 (Proposed Rules).

GSFIC is responsible for issuing general obligation bonds on behalf of the State of Georgia and both the initial and ongoing compliance with the securities laws in addition to compliance with the federal tax laws and regulations regarding the issuance of tax-exempt bonds. While GSFIC is in full support of the SEC's goal to improve investor protection and enhance transparency in the municipal securities market, we are concerned that the Proposed Rules will add a tremendous cost and time burden to issuers without the effect of adding significant value to the investment community.

We are concerned that the scope of the proposed changes in conjunction with a lack of clarity regarding materiality will result in the opposite outcome as issuers very likely will inundate MSRB's EMMA system with postings of non-material items that then will need to be reviewed by current bond owners and prospective bond purchasers so that they can cull the non-material from the material filings. For an entity like the State of Georgia (State), with a state funds budget of over \$24 billion (which increases to over \$50 billion with the addition of federal funds) and over 50 agencies and departments with decentralized contracting authority, there are many thousands of transactions being entered into each year, the majority of which we would consider to be purely operational. Although the State has processes and procedures in place to ensure agency and department financial obligations are reported accurately in its annual audited financial statements, we are very concerned with respect to our ability to comply with the 10-day posting requirement as per the Proposed Rules due to the extremely broad definition of financial obligations which is further complicated by the lack of guidance and clarity from the SEC as how to determine which transactions actually would be material.

Digital Assurance Certification LLC (DAC) currently serves as our dissemination agent and we are in agreement with their comments and suggestions in provided in their assessment of the Proposed Rules on March 31, 2017.

“DAC supports the SEC’s goal of improving public access to information about bank loans and direct sales that may materially impact the interests of bondholders. However, unless the SEC’s proposal is more sharply targeted, DAC is concerned that the proposal as currently structured would not effectively achieve its stated purpose, would create significant new burdens for issuers, obligated persons and underwriters, and would result in a flow of highly unstructured information into the marketplace that would make it extremely difficult for investors to efficiently identify and assess the items of information that would be relevant to such investors’ specific interests in their bond holdings.”

Based on the current highly expansive version of the Proposed Rules which encompass a broader scope than just bank loans and direct sales, we also agree with DAC’s suggestions, some which are as shown below.

Use of GAAP Standards in Identifying Financial Obligations. The SEC also should consider permitting issuers and obligated persons to use GAAP standards in determining what obligations would be required to be disclosed as financial obligations. This would allow for the application of consistent standards that are better understood by finance staff of issuers and obligated persons, and also would promote greater consistency between what is disclosed as a result of the proposed amendments and what ultimately is included in the entity’s audited financial statements.

Bond Offerings With Official Statements Filed on EMMA. The proposed definition of financial obligation excludes municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. As drafted, this exclusion raises two concerns that the SEC should address. Under Rule 15c2-12 and MSRB Rule G-32, filings of official statements to EMMA are done by underwriters, not issuers or obligated persons. This exclusion should not penalize the issuer or obligated person if an underwriter fails to meet its regulatory obligation to file an official statement with EMMA. Thus, the SEC should explicitly provide that a municipal bond offering for which an official statement is required under Rule 15c2-12 is excluded from the definition of financial obligation, regardless of whether the underwriter has met its obligation to file the official statement with EMMA. Further, the proposal should recognize that official statements are filed with EMMA by underwriters under MSRB Rule G-32 for many issues exempt from Rule 15c2-12, generally consisting of offerings where the issuer or obligated person has prepared an official statement notwithstanding an exemption from Rule 15c2-12. At a minimum, such filing of an official statement for an exempt bond offering should exempt an issuer or obligated person from having to provide an incurrence notice under the proposed amendments. Furthermore, to the extent the SEC retains a requirement for adverse event notices with respect to such exempt bond offerings, the rule should permit an issuer or obligated person to fulfill such requirement by filing adverse event notices on EMMA as continuing disclosures for such exempt bond offerings, rather than as continuing disclosures to other non-exempt bond offerings

of the issuer or obligated person. This would retain the current construct for continuing disclosures.

Judicial/Administrative/Arbitration Monetary Obligations. The SEC should exclude monetary obligations resulting from judicial, administrative or arbitration proceedings from the definition of financial obligation. Such monetary obligations are of a fundamentally different character than the other categories included within this definition and therefore are ill-suited to being subject to the same set of regulatory language and materiality/financial difficulties determinations. To the extent the SEC believes that such monetary obligations should be subject to disclosure requirements under Rule 15c2-12, the SEC should pursue such requirements under a separate rulemaking process that focuses specifically on the appropriate thresholds and related provisions that make sense for such obligations. As currently proposed, for example, payments owed by an issuer or obligated person under a non-financial contract (that is, not falling within one of the other categories of financial obligations) would not be considered a financial obligation. However, if a dispute arises under the contract resulting in a judicial, administrative or arbitration judgment, decision or settlement that includes a payment obligation (even if in a lesser amount than the contract payment amount), such monetary obligation would be transformed into a financial obligation under the proposal. DAC believes that this aspect is best omitted from the current proposal and be considered further before becoming a required disclosure under the rule.

We therefore recommend that the SEC craft revised rules which are more narrowly structured and with which issuers actually can comply which should achieve the SEC's intended result of enhancing and improving market transparency rather than making it less transparent though excessive disclosures of non-material matters.

Thank you for your consideration.

Respectfully,



Diana Pope
Director, Financing and Investment Division



Lee McElhannon
Director of Bond Finance, Financing and
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