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VIA ELECTRONIC DELIVERY

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Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20540-1090

Re: Proposed Amendments to Exchange Act Rule 15c2-12 (File No. S7-01-17)

Dear Mr. Fields:

Public Financial Management, Inc., and PFM Financial Advisors LLC (collectively, referred to as "PFM"), appreciates the opportunity to provide comments to the Securities and Exchange Commission (the "SEC") regarding the proposed amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 ("Exchange Act") ("proposed amendments"). PFM is a registered municipal advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"), and our municipal advisory activities are defined, regulated, and directed towards providing services in support of the municipal clients' objectives. In offering financial advisory services, PFM provides clients with independent financial advice on capital formation, credit strategies, bond pricing and debt management, among a host of other services. We are supportive of our municipal clients' interests in providing transparency within the municipal marketplace and ensuring material information is made available to prospective and current investors in municipal securities.

PFM has been actively following developments concerning Rule 15c2-12, and our comments to the current revisions focus primarily upon the adequacy of the proposed amendments in meeting the SEC's objectives for (i) improving the municipal securities market, (ii) the additional definitional clarity needed to



enable municipal issuers, counsel, and underwriters to more objectively apply the proposed changes to Rule 15c2-12 disclosure requirements, and (iii) limiting the burden of compliance imposed upon municipal market participants. We believe the SEC should reconsider the proposed amendments because means to accomplish the proposed goals already exist without further extension of regulatory reach. Most directly, the SEC can simply focus on defining the 'materiality' of certain elements of continuing disclosure requirements.

Additional definitional certainty required

The proposed amendments seek to improve disclosure of "financial obligations of the obligated person, if material..." in aiming to bolster transparency.¹ Use of these under defined terms, namely *financial obligation* and *material*, for disclosure remains unfortunately broad as materiality without further definition leads to a largely subjective, and commonly inconsistent², application of a 'reasonable' assessment of whether or not to disclose information. In fact, the proposed amendments may likely lead to more ambiguity surrounding the comparative levels and types of appropriately disclosable obligations – under the proposed amendments questions of whether to disclose a \$25,000 copy machine lease will differ from one issuer to another. Further guidance and clarity would allow for more precise results in meeting the continuing disclosure requirements for municipal entity debt to more objectively delineate whether or not subsequent financial activities of the issuer meets additional disclosure criteria. The scope of required disclosures under the proposed amendments must be defined or it will continue to be subject to varying interpretation.

Without further guidance, an environment of inconsistency and seemingly cloudy materiality standards will persist or worsen as many municipal issuers may likely act most conservatively to disclose everything and anything in an

¹ Section (15) of the proposed amendments

² Press Release, SEC Charges 71 Municipal Issuers in Muni Bond Disclosure Initiative (Aug. 24, 2016)



effort to avoid potentially severe regulatory and marketplace consequences of meeting opaque standards for disclosures. For instance, an issuer may elect not to file certain information viewed as immaterial when reasonably considered under the requirements; however an underwriter or their counsel over the course of a future public offering may interpret materiality much differently, and would then be of the opinion that the issuer should disclose in offering documents that they failed to file information that was material in the underwriters differing interpretation. The SEC providing such lucidity sufficient to define the attributable financial obligations (regardless of their name or structure) with the corresponding materiality factors supporting additional disclosure would be a key driver of realizing greater transparency for all market participants by making the disclosure a necessary element of investor communications and considerations for existing publicly held debt. Absent this clarity from the SEC, both municipal issuers and investors will likely be harmed by the potential of disclosing information that could prove to be irrelevant to the credit of a particular municipal securities transaction – the municipal issuer will not have a clear credit assessment in the marketplace and investors will either charge a premium in trying to understand the nature of the municipal securities transaction or simply not participate in the transaction.

Balancing the costs of compliance with additional disclosures

We also cannot support further indirect regulation of municipal entities given the corresponding cost/benefit analysis of implementation of the proposed amendments. The potential for significant additional costs must be balanced against the actual additional information obtained beyond what is already provided within the existing ongoing disclosures and financial reporting made readily available. There will be undue regulatory compliance burden placed upon market participants due to the likely “everything and the kitchen sink” methodology of disclosures stemming from the aforementioned likely inconsistency of interpretation and application of the terms ‘financial obligations’ and ‘materiality’ here within the proposed amendments. For



example, the proposed amendments are being conservatively read by many municipal market participants to imply that every lease (operating or capital) requires disclosure. Without clarification, this introduces a substantial new regulatory burden as some issuers could require additional staff to manage the disclosure of these obligations. Municipal issuers, like other issuers of securities in our country, are already required to make complete, accurate and timely disclosures to their marketplace and investors in municipal securities choose in which transactions to participate (and the price they will pay for such securities) based, in part, on the character of municipal issuers' disclosures.

Conclusion and considerations

In conclusion, PFM readily supports a robust and active municipal marketplace for municipal entities and their investors as each endeavors to facilitate market transparency and efficiency; however, the current form of the proposed amendments requires additional revision in meeting the regulatory purposes of Rule 15c2-12. Without the further guidance needed for the consistent application of "materiality" and the "financial obligations" to apply, the implementation will fall short of supporting the SEC's objective of improving the municipal securities market. PFM welcomes the opportunity to further discuss these comments and considerations for defined approach to materiality. In the interest of our municipal entity clients, we encourage further review of the proposed amendment in consideration of the market consequences, and we are available to offer further assistance.

Sincerely,

Leo Karwejna
Managing Director
Chief Compliance Officer



Cc: The Honorable Jay Clayton, Chairman
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner
Jessica Kane, Director, Office of Municipal Securities
Rebecca Olsen, Deputy Director, Office of Municipal Securities