

DPC DATA Disclosure Compliance Solutions: The Business Case

Current regulatory environment

The Dodd–Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, brought a renewed regulatory focus by the SEC, FINRA and the MSRB on the municipal market and specifically on SEC Rule 15c2-12.

New amendments to this rule became effective [December 1, 2010](#).

- “The Securities and Exchange Commission (SEC) has recently approved amendments to Securities Exchange Act Rule 15c2-12, governing continuing disclosures. Firms that sell municipal securities should review and, if necessary, update their procedures to reflect the amendments, which have a compliance date of December 1, 2010.” Source: [FINRA NOTICE 2010-41](#)
- “...Firms may also have a duty to obtain and disclose information that is not available through EMMA, if it is material and available through other public sources. The public availability of material information, through EMMA or otherwise, does not relieve a firm of its duty to disclose that information.” Source: [FINRA NOTICE 2010-41](#)
- “A dealer’s specific investor protection obligations, including its disclosure, fair practice and suitability obligations under MSRB Rules G-17 and G-19, may be affected by the status of an institutional investor as a Sophisticated Municipal Market Professional (SMMP). See Rule G-17 Interpretation – Notice Regarding the Application of MSRB Rules to Transactions with Sophisticated Municipal Market Professionals (April 30, 2002)” Source: [FINRA NOTICE 2010-41](#)

Current compliance practices and procedures for broker-dealers

Broker-dealers must comply with MSRB Rule G-17 (fair dealing), G-19 (suitability) and G-30 (fair pricing) as part of the guidelines set forth by the SEC under the Securities Exchange Act of 1934 (as amended) Rule 15c2-12, governing continuing disclosures.

To fully comply with these rules, broker-dealers need access to comprehensive secondary market disclosure information at the CUSIP, Issuer and Obligor level. In addition, FINRA has stated that firms must have an auditable process in place to ensure that investors are aware of all material disclosure prior to a security transaction.

Key questions facing broker-dealer firms are:

1. What are the firm's current policies and procedures for compliance?
2. Do they specifically meet the updated regulations?
3. Are there cost-effective solutions that can improve compliance, streamline business workflows, and provide value to customers while reducing the risk of regulatory actions and fines?

Solutions offered by DPC DATA:

MuniPOINTS[®], ***MuniGUARD***[®], ***MuniDOCS***[®] Online and ***MuniGUARD News***

Point of Sale: *MuniPOINTS* with *MuniDOCS* Online and *MuniGUARD News*

In combination, these information services provide a comprehensive point-of-sale solution for retail and institutional muni businesses that help meet G-17, G-19 and G-30 regulatory requirements for broker-dealers.

MuniPOINTS are concise one-to two-page fact sheets containing descriptive information taken verbatim from the official statement. *MuniPOINTS* coverage includes approximately 90 percent of the municipal securities offered for sale in the United States – more than 1,300,000 CUSIPs for deals dated from September 2001-present.

Many firms choose to enhance *MuniPOINTS* with *MuniDOCS* Online, which provides one-click access to all available disclosure at the CUSIP, Issuer and Obligor levels, including deals prior to September 2001 with disclosures back to 1996.

- The official statement as well as any amendments or advance refunding documents
- Any **material event notices** that have been filed pertaining to the specific CUSIP
- All the financial statements and continuing disclosure filings that have been submitted to the official disclosure repository for the obligor of the deal

***MuniPOINTS* Elements**

- Dated Date
- Original Series Par Amount
- Obligor State
- Obligor Name
- Issuer State
- Issuer Name
- Issue Description
- Bond Type
- Security Type
- Issuer Summary
- Key Facts
- Use of Bond Proceeds
- Bond Security
- *MuniDOCS* Online continuing disclosure & material event filings
- *MuniGUARD News*, current news related to CUSIPs and obligors

In addition, *MuniPOINTS* can link to *MuniGUARD News*, which provides full-text access to recent national, regional and local news stories relevant to the CUSIP or obligors.

An additional function of the *MuniPOINTS*-based solution is expedited sales, because *MuniPOINTS* are easily emailed, providing potential investors with a concise description of the bond, which may include one-click access to historical disclosures and current news.

Ongoing Surveillance: *MuniGUARD* with *MuniDOCS* Online and *MuniGUARD* News

This monitoring and surveillance solution tracks material event filings on U.S. municipal securities on an intraday basis. The equivalent of a “corporate actions” service, *MuniGUARD* provides timely access to critical disclosure information to help investors stay fully informed of the current market climate.

In addition to material event notices, DPC DATA can deliver all financial statement and continuing disclosure data in the same consolidated feed. *MuniGUARD* News can also be included with *MuniGUARD* to provide last news from largely regional and local sources for additional surveillance of CUSIPS and obligors.

Value to Market Professionals

FINRA, the Bond Dealers of America and SIFMA have all proposed ways for firms to implement a set of best practice guidelines to comply with SEC 15c2-12 and related MSRB rules. DPC DATA’s solutions speak directly to many of these best practice guidelines.

Over the last two years, industry validation of our solutions has grown rapidly. As of September 2011, active users include more than 100,000 professionals at top tier, regional and online brokerage firms and clearing firms. In addition, millions of self-directed investors and many **Registered Investment Adviser** firms have access to these information services now or will in the near future through their broker-dealers.

***MuniGUARD* Elements**

- CUSIP
- Issuer State
- Issuer Name
- Issue Description
- Dated Date
- Obligor State
- Obligor Name
- Material Events ID
- Material Events State
- Material Events Entity
- Material Events Headline
- Material Events Notice Type
- Time Published
- *MuniDOCS* Online continuing disclosure & material event filings
- *MuniGUARD* News, current news related to CUSIPS and obligors

The unique value of these solutions emerges from several factors:

- **Historical depth.** DPC DATA was an SEC-authorized Nationally Recognized Municipal Securities Information Repository (NRMSIR) prior to the SEC mandating the MSRB’s EMMA system on July 1, 2009 as the sole municipal repository to the industry. The DPC DATA repository comprises **more than 20 years of officially filed disclosure data.**
- **Accuracy.** Since July 1, 2009, DPC DATA has taken a real-time feed of the disclosures officially filed with the EMMA system. Upon receipt, the “as posted” filings from EMMA are rapidly processed through DPC’s proprietary systems, where they are cleaned, validated, standardized and indexed for incorporation into the archive.
- **Obligor tracking.** DPC maintains an obligor identity code system (OBCodes®) that links over 80,000 municipal obligors to more than 3.5 million CUSIPs, enabling us to accurately index CUSIPs to all historical secondary market filings for an obligor. This includes new CUSIPs. Most

other information providers employ issuer-based databases and rely on CUSIP assignments at the time the filing to identify the obligor, so that older obligor filings are never linked to newer CUSIPs.

- **Flexible delivery infrastructure.** As the leading commercial provider of municipal disclosure products and services to the industry, DPC DATA has a proven menu of delivery options. These include seamless integration into workflow platforms, integration with intranet/portals and direct browser-based access.

Benefits of *MuniPOINTS* & *MuniDOCS*:

- **Turnkey solution.** *MuniPOINTS/MuniDOCS* is a virtually plug-and-play solution. It eliminates the complications while enriching the results of disclosure research, and provides an automated, auditable process to address MSRB Rule G-17 as part of the guidelines set forth by SEC Rule 15c2-12.
- **Streamlined investor communications.** *MuniPOINTS* fact sheets are not considered to be 'advertising' by FINRA and they save research time while making salespeople more effective. With one-click print and email, salespeople and traders can send comprehensive disclosure information and related documents to customers.
- **Broad availability.** *MuniPOINTS* are available through TheMuniCenter, BondDesk, Knight BondPoint, Tradeweb Retail and Broadridge Solutions. Users of those platforms can access *MuniPOINTS* directly with no additional software integration necessary.
- **Simple workflow integration.** *MuniPOINTS* can also be integrated into proprietary systems via our Direct Access portal with minimal IT work.

Benefits of *MuniGUARD* & *MuniDOCS*:

- **Easy customization.** *MuniGUARD* can be mapped to client holdings, proprietary trading positions as well as at the offerings level to filter munis according to suitability and risk profiles.
- **Information-based client service.** *MuniGUARD* gives advisors a way to be proactive in the case of a material event that may impact the price of the bonds in a portfolio.
- **Portfolio surveillance.** *MuniGUARD* allows firms to closely monitor market activity and flag material event notices, including distress events, in their trading positions or portfolios.
- **Mitigation of compliance risk.** *MuniGUARD* addresses MSRB Rules by ensuring access to critical event and continuing disclosure data as soon as it is available.
- **Flexible, fast delivery.** *MuniGUARD* data feed requires very little IT involvement for client to receive intra-day file via FTP or sFTP. Client has ability to customize and configure *MuniGUARD* file to meet a variety of business unit needs.

Management of Compliance and Risk Challenges

Challenge: Access to secondary market disclosures.

Broker-dealers need access to comprehensive secondary market disclosure information at the CUSIP, Issuer and Obligor level in order to comply with MSRB Rule G-17 (fair dealing), G-19 (suitability) and G-30 (fair pricing) as part of the guidelines set forth by the SEC under the Securities Exchange Act of 1934 (as amended) Rule 15c2-12, governing continuing disclosures. In addition, FINRA has stated that firms must have an auditable process in place to ensure that investors are aware of all material disclosure prior to a security transaction.

- ✓ **Solution** – *MuniPOINTS/MuniDOCS/MuniGUARD* provide a comprehensive archive, updated daily of this information, and the email functionality built into *MuniPOINTS* allows emails to be stored in client's email server, providing auditability.

Challenge: Dependable, historical depth

FINRA and the MSRB have both stated repeatedly that using the EMMA site alone is not enough to meet the new regulatory requirements, including MSRB Rules G-17, G-19 and G-30.

- ✓ **Solution** – More than 20 years of cleaned, validated and standardized historical disclosure data, as well as the latest filings, made available through DPC DATA products and services.

Challenge: FINRA reporting

Broker-dealers need help completing the Municipal Continuing Disclosure Report Detail (Muni Report Card) that FINRA has matched to the EMMA database.

- ✓ **Solution** - In response to the Muni Report Card and client demands, DPC has a solution to automate this report by providing continuing disclosures, including annual financials, as part of its *MuniGUARD* material event feed on an historical and ongoing basis.

Muni Report Card Data detail items include:

Alerts

- NOS: No OS filed on EMMA
- LCF: Lacking Current Financials on EMMA
- EFTM: Material Event in trade month on EMMA
- EF1t3: Material Event 1-3 months prior to trade month on EMMA
- EF4t6: Material Event 4-6 months prior to trade month on EMMA
- Flags
- Most Recent Financial Posting Date (if more than 365 days prior to trade date, will show up as alert above)
- Most Recent Financial Effective Date (if more than 365 days prior to trade date, will show up as alert above)

- Most Recent Financial Effective Date (if more than 365 days prior to trade date, will show up as alert above)
- Counts of Material Events filed within the last 6 months
- Material Event disclosure types filed (required and voluntary)
- ✓ **Solution** - In response to the Muni Report Card and client demands, DPC has a solution to automate this report by providing continuing disclosures, including annual financials, as part of its *MuniGUARD* material event feed on an historical and ongoing basis.

Challenge: Timely market news

Reduced dependence on bond insurance and third-party ratings have increased the importance of monitoring primary and secondary market disclosures, including material events and relevant market news.

Firms must ensure suitability standards for existing client holdings and may be asked to comply with new fiduciary standards for broker-dealers that could be similar to those that already regulate registered investment advisers.

- ✓ **Solution** – *MuniPOINTS* and *MuniGUARD* allow firms to directly address suitability on a pre-sale and post-sale, ongoing basis.
- ✓ **Solution** – *MuniGUARD News*, the newest disclosure compliance solution from DPC DATA, enables firms to track published news relevant to bond issues and obligors.

Challenge: Suitability requirements

Firms must ensure suitability standards for client holdings and in the future, broker-dealers may face new fiduciary standards similar to those now required of registered investment advisers.

- ✓ **Solution** – *MuniPOINTS*, *MuniGUARD* and *MuniGUARD News* enable firms to directly address suitability on a pre-sales and ongoing post-sale basis.

Conclusion

Leading firms across the municipal marketplace regard DPC DATA disclosure compliance solutions as an essential part of their best practices in meeting disclosure obligations. The strong business case for using them includes their fitness for the purposes, simplicity to implement, and strong support of improved sales and customer relationships.

More information and test implementations may be obtained by contacting us at sales@dpcdata.com.

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