CMA
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SEC Adds Two More Events That Require EMMA Filings

On August 20, 2018, the Securities and Exchange Commission added two more events to the existing fourteen events under Rule 15c2-12,1 which require the filing of a notice by issuers of municipal securities on the Municipal Securities Rulemaking Board's ("MSRB") EMMA website. The two new events requiring the filing of a notice are:

- ✓ Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- ✓ Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

The new, 15th event requiring notice on EMMA covers bank loans which had previously been under the SEC's radar much to the consternation of underwriter's and investors. While the SEC does not have the authority to regulate issuers of municipal securities, it does regulate underwriters of municipal securities. These underwriters carefully review the Continuing Disclosure history of each issuer to insure the jurisdiction's compliance with SEC Rule 15c 2-12 before underwriting a debt offering. Notice of the occurrence of one of the now 16 "material events" must be filed on EMMA within 10 business days of the events' occurrence. Issuers will be required to file notice of the occurrence of these two additional events beginning in late February 2019, 180 days after the new rule was published in the Federal Register.

Recent Legislation Supports Bank Demand for Municipal Bonds

Since the passage of the Tax Cuts and Jobs Act of 2017, municipal market participants have focused on the impact of changes on tax exempt bond demand and are particularly concerned about decreasing demand from corporate and bank purchasers of tax exempt debt. A drop in the corporate tax rate from 35% to 21% makes tax exempt bonds less attractive to corporate buyers, including banks, which have historically represented a significant component of municipal bond demand and account for approximately 15% of the market. Recent trends have, in fact, demonstrated that banks have cut their holdings of municipal bonds. Absent other factors which determine interest rate movement, decreased demand will result in higher interest rates for municipal issuers.

However, some good news was delivered in May when legislation was enacted to allow large banks to include certain municipal bonds when counting high-quality liquid assets for liquidity coverage ratio tests. *(Continued on page 2)*

Recent CMA Client Sale Results

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Southampton UFSD	TAN	$17,500,000	4-Sep	9 mos.	1.82%	Jefferies LLC
Sewanhaka UFSD	TAN	$15,000,000	4-Sep	9 mos.	1.92%	JP Morgan Securities
Syracuse City	RAN	$32,444,000	30-Aug	6 mos.	1.90%	TD Securities (USA) LLC
Valley Stream UFSD #13	BAN	$13,500,000	28-Aug	12 mos.	2.05%	Oppenheimer & Co.
Harborfields CSD	TAN	$18,000,000	28-Aug	9 mos.	1.87%	Jefferies LLC
Longwood CSD	Bonds	$21,000,000	21-Aug	15 yrs.	2.70%	FTN Financial Capital Markets
Tonawanda Town	BAN	$19,312,705	21-Aug	12 mos.	1.89%	Jefferies LLC
Island Park UFSD	BAN	$6,570,000	16-Aug	12 mos.	1.85%	Piper Jaffray & Co.
East Hampton Town	Bonds	$15,325,000	15-Aug	11 yrs.	2.30%	D.A. Davidson & Co.
Middletown City	BAN	$16,558,644	14-Aug	12 mos.	1.90%	JP Morgan Securities

(*From page 1*) The change allows investment grade municipal bonds to be counted as Level 2B assets for purposes of liquidity coverage ratio rules and although industry lobbyists had pushed for Level 2A classification, the change does make muni bonds more attractive for banks to hold and should result in some improvement in demand.

So despite the reduction in corporate tax rate, bank demand for municipal bonds is expected to remain strong not only due to recently enacted classification as "High Quality Liquid Assets" but because there are other reasons for banks to continue to hold tax exempt municipal bonds including diversification, high credit quality, low historic rates of default and investment incentives related to the Community Reinvestment Act.

Promotions at CMA

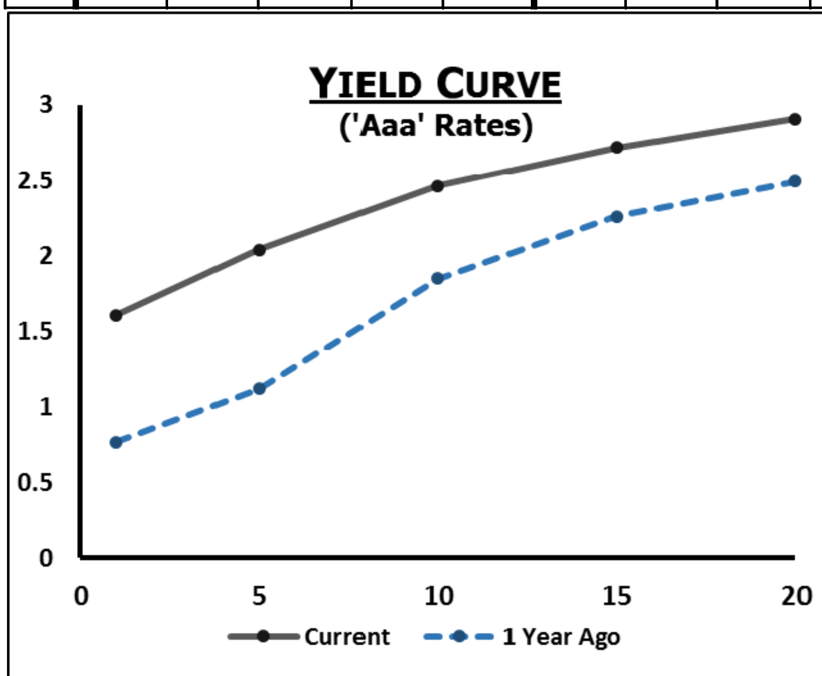
CMA Principals Richard Tortora and Rick Ganci announced the promotions of two CMA professionals on August 14th. Alex Kerr was promoted from Assistant Vice President to Vice President. He joined CMA in January 2015 in conjunction with the merger of the financial advisory firm NYMAC with CMA. Alex's ten years experience as a financial advisor were preceded by seven years as a public school teacher on Long Island. He is licensed as a Series 50 Municipal Advisor and his practice is centered around school districts. Alex lives in Kings Park with his wife, Megan and two daughters, Abbie and Lily.

Tom Vouzakis was promoted to Assistant Vice President from Associate on August 14th. Tom came to CMA via the firm's internship program where he learned the fundamentals of public finance over three summers while earning a degree in finance from NYU's Stern School of Business. In addition to working with local municipalities on Long Island and in Westchester on note and bond financings, Tom is actively involved in servicing clients of CMA's Strategic Consulting Group including the towns of Islip and Riverhead and the US Virgin Islands. He is licensed as a Series 50 Municipal Advisor by the MSRB. Tom lives in Manhasset and recently became engaged to his fiancée, Catherine.

Please join us in congratulating Alex and Tom on their well-deserved promotions.

MMD General Obligation Interest Rates

	Today - September 4, 2018					1 Month Ago - August 3, 2018					1 Year Ago - September 5, 2017				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.61%	1.62%	1.70%	1.80%	2.07%	1.48%	1.49%	1.57%	1.67%	1.94%	0.77%	0.78%	0.86%	0.96%	1.23%
5	2.04	2.11	2.30	2.42	2.74	1.99	2.06	2.25	2.37	2.69	1.12	1.19	1.39	1.49	1.80
10	2.46	2.63	2.80	2.93	3.28	2.48	2.65	2.82	2.95	3.30	1.85	2.04	2.27	2.37	2.72
15	2.72	2.92	3.08	3.21	3.57	2.76	2.96	3.12	3.25	3.61	2.26	2.48	2.70	2.80	3.16
20	2.91	3.11	3.25	3.40	3.74	2.94	3.15	3.28	3.43	3.77	2.49	2.71	2.91	3.02	3.35



As shown in the graph to the left, the yield curve has continued to flatten as short-term interest rates have risen almost 90 basis points (bps) in the past year, while long-term rates have risen by only about 40 bps. The shape of these curves may not look too different, however, the pace at which the curve is flattening has picked up tremendously. The chart above shows that short-term rates have risen 13 bps over the past month while long-term rates have actually decreased!

Questions? Comments?

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