GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

May 15, 2017

Mr. Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F St., NE
Washington, D.C. 20549-1090

VIA EMAIL: rule-comments@sec.gov

Re: Proposed Amendments to Exchange Act Rule 15c2-12
(File Number S7-01-17; SEC Release No. 34-80130)

Dear Secretary Fields:

As the Texas Comptroller of Public Accounts, I thank you for this opportunity to offer comments on the proposed amendments to Exchange Act Rule 15c2-12.

While I agree with the Commission's stated efforts to promote transparency in support of an efficient and effective municipal securities market, I nonetheless have concerns that the proposed rules may in fact dilute the effectiveness of disclosure while significantly underestimating the compilation and reporting burdens and associated costs of compliance imposed upon issuers by the proposed amendments. I offer these comments to address areas where I believe the Commission should consider narrowing or modifying the scope of the proposed rule amendments' application and providing additional guidance to issuers and underwriters to strengthen disclosure activities.

1. The definition of "financial obligation" under the proposed rule amendments is overly broad, creating burdensome and costly ongoing financial disclosure obligations for issuers and obligated persons.

The proposed amendments create two new reportable events, both of which are derived from the incurrence of a "financial obligation" on the part of the obligated person. By broadly defining financial obligation as "a (i) debt obligation, (ii) lease, (iii) guarantee, (iv) derivative instrument, or (v) monetary obligation resulting from a judicial, administrative, or arbitration proceeding…", the Commission is expanding the reach of existing disclosure requirements beyond direct placements, to include obligations that have been historically disclosed through issuers' comprehensive annual financial reports under standard accounting practices. Recognizing that issuers and obligated parties range in size and complexity, such broad requirements would necessitate dedication of significant resources to compile and analyze all available information and to ensure filing compliance within the 10 business day requirement. If unable to complete the required analysis, or if they simply do not have the resources available, issuers may forgo analysis and file any information available (regardless of its materiality), thereby, flooding investors with potentially irrelevant information and diluting the effectiveness of the regulated disclosure process.

Another example of the unintended consequences of broad drafting comes from the requirement to report monetary obligations resulting from "judicial, administrative or arbitration" proceedings. This requirement does not specify whether or not it pertains to initial as well as to final rulings. If, to ensure compliance with the rule, issuers file information based on initial rulings that later are overturned or modified, market participants may take action based on filings that ultimately do not reflect the materiality initially anticipated.

2. The lack of guidance or definition for the term "material" makes it difficult to discern which types of events the Commission intends to be disclosed.

The Commission's Release states that inclusion of a materiality determination in the proposed rule amendments strikes "an appropriate balance," allowing issuers and obligated persons to adequately discern which events rise to a high enough level of importance that they should be disclosed to investors and other market participants. The Commission's proposed amendments fail to give sufficient clarity to the term "material," however, leaving issuers in the dark as to the proper application of that concept. Without meaningful guidance from the Commission on this point, issuers will likely be required to expend significantly more time and resources than the Commission has previously estimated in determining whether financial obligations and events occurring under those obligations should be considered "material." Moreover, issuers will most likely, when in doubt, err on the side of over-disclosure, even when doing so may result in giving notices of obligations and events that are not material. Not only does this uncertainty strain the resources of public issuers, but it also thwarts the Commission's intended efforts to provide the market with meaningful information that will be useful to investors.

I appreciate the opportunity to present my concerns and thank the Commission for considering these comments. If my office can provide any assistance to you throughout this process, please contact Piper Montemayor, Manager of Public Finance for the Treasury Operations Division, at [redacted] or [redacted].

Sincerely,

Glenn Hegar

cc: Piper Montemayor