

# CLIENT NEWS BRIEF

## Bond Insurers on Credit Watch

On June 6, 2017, S&P Global Ratings (S&P) placed two of the three active municipal bond insurers, Build America Mutual Assurance Company (BAM) and National Public Finance Guarantee Corp. (NPFGC), on credit watch with negative implications.

S&P intends to review the insurers and may adjust their assigned rating based on their competitive strengths or weaknesses relative to their peers. S&P stated that its review may lead to a downgrade of BAM or NPFGC. S&P is of the view that the competitive position of BAM and NPFGC may be sufficiently weaker within the industry than Assured Guaranty Ltd. and its operating subsidiaries, making greater rating differentiation appropriate among the municipal bond insurers. S&P expects to complete its review within the next three months, per its statements given in a research update report issued on June 6, 2017.

**What this means for you:** Issuers of municipal bonds should review their outstanding bonds to determine if any are insured by BAM or NPFGC. If S&P moves forward with a rating downgrade of BAM or NPFGC, the downgrade is treated as a “material event” under SEC Rule 15c2-12 and, accordingly, must be reported as part of an issuer’s continuing disclosure obligations for any bonds insured by the downgraded insurer.

If your agency has outstanding bonds insured by either BAM or NPFGC and you have any questions regarding continuing disclosure compliance, please contact the authors of this Client News brief or an attorney at one of our [nine offices](#) located statewide. Lozano Smith serves as bond and disclosure counsel to school districts, community colleges, and other public agencies throughout California and would be happy to provide guidance regarding these developments. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#) or download our [Client News Brief App](#).

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