

Articles

Ratings Recalibrations and Material Event Notices

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Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") both recently announced that they will be recalibrating their long-term municipal ratings from a municipal rating scale to a global rating scale. The recalibration is intended to permit comparison of municipal credits to other non-municipal credits with a similar risk profile. As a result of the recalibration process, many municipal issuers will be assigned higher ratings. Both Moody's and Fitch have indicated that the recalibrations of municipal ratings do not reflect an improvement in the credit quality or a change in Moody's or Fitch's credit opinions of the securities or the issuer. At least one rating agency has indicated that it does not plan to notify issuers individually of its recalibrated ratings.

In connection with many financings, municipal issuers have agreed to provide continuing disclosure in compliance with the Securities and Exchange Commission ("SEC") Rule 15c2-12 ("Rule 15c2-12"), including timely notice to the Municipal Securities Rulemaking Board ("MSRB") in response to certain material events, including specifically rating changes. Although the recalibrations of municipal ratings described above do not reflect an improvement in the credit quality or a change in Moody's or Fitch's credit opinions, the recalibrations could still result in a Rule 15c2-12 disclosure obligation for municipal issuers. Therefore, after the recalibration of ratings by Moody's and Fitch, municipal issuers with ratings that are changed as a result of such recalibrations should determine whether a material event notice should be filed with the MSRB to report the rating change. If required, such filing should occur in a timely manner after the assignment of the new rating. To date, the SEC has not provided any official guidance on whether a rating change that results solely from a rating recalibration triggers a material event filing requirement.

Andrews Kurth's public finance practice group consists of 19 lawyers who are experienced in representing municipal issuers, financial institutions and underwriters on all aspects of the law related to public finance, including SEC disclosure matters. The public finance attorneys at Andrews Kurth are well versed in the requirements of Rule 15c2-12 filings and are available to discuss the ratings recalibration process and any related material event filings. Please contact any of the attorneys listed on the right side of this page with any questions you may have.