

**Memorandum of Understanding  
Between  
The Internal Revenue Service  
And  
The Securities and Exchange Commission  
For  
Tax Exempt Bonds/Municipal Securities Compliance**

This Memorandum of Understanding (MOU) outlines the cooperative efforts the Internal Revenue Service (IRS) and the Securities and Exchange Commission (SEC) will undertake to enhance compliance by the municipal securities industry with the rules, laws and regulations each agency is responsible for enforcing.

The Tax Exempt Bonds Division within the Tax Exempt and Government Entities Division of the IRS is responsible for administering the Federal tax laws applicable to tax exempt bonds.

The Office of Municipal Securities within the Division of Trading and Markets at the SEC is responsible for coordinating the SEC's municipal securities activities in administering the Federal securities laws applicable to tax exempt bonds and assisting the Division of Enforcement and other offices and divisions on a wide array of municipal securities matters.

While the applicable laws each agency administers and enforces with respect to tax exempt bonds/municipal securities serve different purposes, together the agencies monitor this industry segment and share mutual interests in ensuring market participants comply with all statutory and regulatory requirements.

**ARTICLE I: GENERAL PROVISIONS**

1. This MOU is a statement of intent of the parties to work cooperatively to identify issues and industry trends within the tax exempt bonds/municipal securities industry and to develop strategies to enhance performance of their respective responsibilities. To support this effort, the parties will share information, primarily through the creation of a committee, as described in paragraph 9, in connection with the respective responsibilities of the parties regarding tax exempt bonds/municipal securities, in a manner consistent with, and as permitted by, the laws and other requirements that govern the parties. The IRS and SEC each acknowledge the other's respective need for, and interest in, the information to be shared related to tax exempt bonds/municipal securities.

2. This MOU does not create legally binding obligations on the parties and does not create any right enforceable against the parties or any of their officers or employees or any other person. This MOU also does not confer upon any third party the right or ability directly or indirectly to obtain, suppress or exclude any information shared pursuant to this MOU, or to challenge the execution of a request under this MOU.

3. This MOU is intended to complement, but does not alter the terms and conditions of, existing bilateral or multilateral arrangements concerning cooperation in supervisory, enforcement or other matters between the parties. In addition, the parties encourage their respective staffs to maintain ongoing, ad hoc communications as authorized by the laws and other requirements governing both parties to ensure coordination, as appropriate, of their respective day-to-day operations.

4. Nothing in this MOU modifies in any way the ability and responsibility of the parties to enforce their respective statutes and regulations.

5. Nothing in this MOU shall be deemed to diminish or impair in any way the independence of the IRS or SEC in its rulemaking, supervisory, regulatory, examination or enforcement functions.

6. Nothing in this MOU shall be deemed to obligate the parties to create or maintain any information.

7. Nothing in this MOU should be construed to prohibit a party from complying with an order of a court of competent jurisdiction or statutory obligations.

8. The parties intend periodically to review the functioning and effectiveness of the cooperation and information sharing arrangements with a view to expanding or altering the scope or operation of this MOU.

## **ARTICLE II: IMPROVING COORDINATION BETWEEN IRS AND SEC**

9. The IRS and SEC agree to implement a standing Tax Exempt Bond/Municipal Securities Committee (Committee) to discuss policy, procedure and compliance issues relating to this market segment. This MOU governs communications amongst members of the Committee but does not delegate to IRS or SEC staff any authority not otherwise held by them.

10. The Committee will meet quarterly, or more frequently if appropriate, to discuss issues. Initially, and periodically as necessary, the Committee will also discuss coordination matters, including matters such as the specific information that will be shared, the frequency with which each agency will provide information, and the contact points within each agency who will receive the information. It is expected that initially the Committee will need to meet regularly to implement the provisions of this MOU.

### **ARTICLE III: OTHER COOPERATIVE EFFORTS AND INFORMATION SHARING**

11. To the extent practicable and as appropriate in the particular circumstances and consistent with applicable laws and regulations, the IRS and SEC will endeavor to inform the other, in advance where feasible and otherwise as soon as practicable, of issues that may affect the interests of the other party as they pertain to tax exempt bonds/municipal securities.

12. Both the IRS and SEC may develop or come into possession of information that would be of value to the other party in carrying out their responsibilities. To the extent appropriate in the particular circumstances, the parties each agree to share information regarding, among other things, market risks, practices, and events relating to tax exempt bonds/municipal securities that may be of interest to the other agency. Any sharing of information shall be subject to the terms of this MOU and applicable laws and regulations, including Internal Revenue Code (IRC) § 6103, which governs the disclosure of federal tax information.

### **ARTICLE IV: EDUCATION AND OUTREACH**

13. The IRS and SEC agree to work collaboratively in participating in and promoting educational and outreach events to the tax exempt bonds/municipal securities community. Educational initiatives for municipal issuers and other market participants that help improve disclosure practices and tax compliance should enhance the desirability of investing in this market.

14. The IRS and the SEC agree to consider the training and education opportunities each party to this MOU can provide the other. Training opportunities addressing laws, policies, procedures and other issues the parties encounter in completing their respective missions should assist each agency's understanding of the other's role and its interaction with the other agency's mission.

15. The IRS and SEC agree to work cooperatively to develop proposals with the potential to aid both agencies in their oversight, compliance and enforcement efforts in the tax exempt bonds/municipal securities industry. Under appropriate circumstances, this effort may include legislative proposals intended to aid in the agencies' communication and cooperative efforts set forth in this MOU. The IRS will work directly with the Department of the Treasury Office of Tax Policy, the office within the Department of the Treasury responsible for legislative efforts, to develop legislative proposals in connection with and as a result of this cooperative effort with the SEC.

### **ARTICLE V: PERMISSIBLE USES AND CONFIDENTIALITY OF INFORMATION SHARED BY THE IRS AND SEC UNDER THIS MOU**

16. This Article applies to any non-public information shared under this MOU concerning the supervision and regulation of tax exempt bonds/municipal securities or the offer/sale of such. "Non-public information" for the SEC means records, as defined in Section

24(a) of the Securities Exchange Act of 1934, and other information in the Commission's possession, which are not available for public inspection and copying. "Non-public information" for the IRS means information that is not generally available to the public, including where appropriate information classified as Official Use Only, but which the IRS is not prohibited by law from sharing with the SEC.

17. The parties understand that any information shared pursuant to this MOU may be shared by the receiving party with other offices and divisions within the receiving party's agency. Nothing in this MOU is intended to modify or replace any sharing or other current practices of the IRS or SEC governing and permitting the use of information by a receiving party within its agency.

18. Members of the Committee agree to discuss as necessary the confidentiality needs and requirements of their respective agencies. The parties will establish and maintain such safeguards as the parties agree are appropriate to protect the confidentiality of any non-public information provided pursuant to this MOU, as well as any information derived therefrom. Any requests for non-public information will be made in accordance with existing procedures required by each agency.

19. Nothing in this MOU waives or alters any provision of any applicable laws relating to non-public information.

20. The parties agree to take all actions reasonably necessary to preserve, protect and maintain all privileges and claims of confidentiality related to non-public information provided pursuant to this MOU, in accordance with applicable law.

21. The parties intend that sharing of non-public information with each other pursuant to the terms of this MOU will not constitute a waiver of confidentiality or any privilege applicable to such information. The parties expressly reserve all evidentiary privileges and immunities applicable to the information shared under this MOU.

22. The parties acknowledge that IRC § 6103 places strict limitations on the information that the IRS can share about taxpayers and the circumstances under which any disclosures may be made. The IRS and SEC agree, in appropriate circumstances determined at the discretion of their officers and employees, to use their best efforts to obtain taxpayer consents authorizing the IRS to disclose statutorily confidential federal tax information to the SEC in order to maximize the IRS' ability to share such information with the SEC. When such consent is not obtained, the IRS is prohibited from disclosing federal tax information to the SEC unless otherwise authorized by the Internal Revenue Code. The parties also agree, where appropriate, to encourage the taxpayer or other source of the information, as appropriate, to contact the other agency directly.

## **ARTICLE VI: REPORT**

23. When it deems necessary or appropriate, the Committee may prepare a report for the heads of both agencies detailing the discussions, observations and accomplishments of the cooperative effort undertaken by the parties under this MOU. The report may include recommendations for enhancement of education, outreach and compliance within the tax exempt bond/municipal securities industry and other appropriate actions.

## **ARTICLE VII: FUNDING**

24. Each agency will be responsible for funding the costs it incurs in performing its responsibilities under this MOU. Thus, in accordance with section 708 of the Omnibus Appropriation Act of 2009 and similar annual appropriations provisions, this MOU does not result in any interagency financing of a committee.

## **ARTICLE VIII: POINT(S) OF CONTACT**

25. The parties designate the following persons as their point(s) of contact for issues related to the interpretation or application of this MOU and any authorizations, approvals or notices of requested modifications under this MOU:

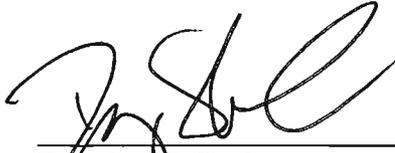
- a. With respect to the SEC, the Director of the Division of Trading and Markets, or that official's designee.
- b. With respect to the IRS, the Director of Tax Exempt Bonds, or that official's designee.

## **ARTICLE IX: EFFECTIVE DATE, MODIFICATIONS AND TERMINATION**

26. This MOU will become effective upon signature by the authorized representatives for the IRS and SEC. Any modification or amendment of this MOU must be agreed to by both parties in writing and will be effective upon the execution or such other date as may be provided in the modification or amendment.

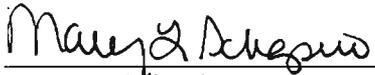
27. This MOU may be terminated by either the IRS or SEC upon written notification of the other party at least 90 days in advance of the termination date. Following termination, all information shared under the terms of this MOU shall remain confidential and shall continue to be governed by the terms of Article III.

Agreed to this 2<sup>nd</sup> day of March, 2010.



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Douglas H. Shulman  
Commissioner of Internal Revenue



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Mary L. Schapiro  
Chairman  
Securities and Exchange Commission