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U.S. SEC's Piowar Calls for More Price Transparency for Munibonds.

Aug 1 (Reuters) – Retail investors in the \$3.7 trillion municipal bond market need better pricing information before trades are executed, a top U.S. securities regulator said on Friday in a speech calling for reforms for the lightly regulated market.

“The municipal securities market has long suffered from a lack of price transparency, and this deficiency is particularly acute for retail investors,” Securities and Exchange Commission Republican member Michael Piowar said in prepared remarks for the Municipal Finance Conference in Boston.

“There is still a significant need for publicly available information regarding pre-trade pricing for these financial products,” he said.

Piowar’s comments come as industry-funded regulators are working to craft rules to improve transparency and investor protections for the fixed income market.

The Municipal Securities Rulemaking Board, for instance, is pushing to finalize rules that will require municipal bond dealers to comply with best execution, something that is already required of dealers in the U.S. equities market.

The MSRB will also be taking up proposals first advocated by Piowar in January. They would require dealers to disclose how much they are compensated for executing so-called riskless principal transactions, or buying securities from their customers and reselling them to other dealers.

Piowar said Friday that pre-trade price transparency could improve through changes to federal rules governing “alternative trading systems,” an electronic marketplace where people can buy and sell securities.

ATS operators for both equities and bonds are not required to disclose pre-trade pricing data.

Piowar said, however, that some “significant” ATS venues should be required to start publicly disseminating prices for some types of trades.

He added that he believed the rules could be drafted to help shine a light on the market without running the risk of drying up liquidity.

For instance, he said, the SEC could start by only requiring the disclosure of pricing data of small transactions by retail investors. Larger trades, by contrast, could still be protected from full disclosure.

“This is undeniably a delicate task, but the potential benefit for retail investors is too great for us not to undertake meaningful reforms in this area,” Piowar said.

Piwowar, who joined the SEC last year, has been among the most vocal advocates for reforms in the municipal bond market.

Before becoming a commissioner, he once worked at the SEC as an economist studying the bond market. His research found that the high cost of trading in the market was linked to the lack of transparency.

In a June speech, SEC Chair Mary Jo White also threw her support behind numerous reforms for the bond market, saying she feared technology was being leveraged to make the “old, decentralized method of trading” better for dealers, but not for investors.

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