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SEC Officials Pushing Harsher Penalties, Streamlined Disclosure.

WASHINGTON — Securities and Exchange Commission officials are seeking improved disclosure practices in the municipal market and more stringent enforcement of rules protecting investors.

SEC Commissioners and other officials made those comments at the Practicing Law Institute's SEC Speaks 2015 conference Friday. The annual two-day event brings together officials and staff from nearly every arm of the commission. Commissioner Luis Aguilar spoke about enforcement matters, calling on the commission to seek more industry bars for financial professionals caught committing egregious fraudulent conduct.

"These bars, not only serve to punish the wrongdoer, but also protect investors from future misconduct by such person, Aguilar said. "These bars send a clear message to the next potential fraudster."

Industry bars have recently become a highly controversial topic in the muni market with simultaneous settlements last month barring public officials in Harvey, Ill. and Allen Park, Mich., from participating in future offerings of municipal bonds. Aguilar said he has witnessed defendants fight hard to avoid industry bar punishments, but added that the high resistance of wrongdoers to accept bans from the industry is proof of bars' effectiveness.

"Defendants' vigor to avoid being barred is to be expected, as those bars and suspensions take fraudsters out of the industry, and often have a far more lasting impact than the imposition of a monetary fine," Aguilar said.

SEC Investor Advocate Rick Fleming also spoke about the need to bring securities disclosure into the 21st century. Fleming is the first head of the Office of the Investor Advocate, which was established by the Dodd-Frank Act. He assumed his role about a year ago. He reports directly to SEC chair Mary Jo White and his job is to promote the interests of investors by analyzing the impact of proposals by the SEC and self-regulators and finding ways the commission and the SROs can improve investor protection.

Fleming told those attending the conference that the next generation of Americans will be used to information that is presented in an engaging and digestible way, and that old-fashioned methods of providing investor information will not cut it going forward.

After his speech, Fleming told The Bond Buyer that he wants to be active in improving disclosure in the municipal market. He recently submitted a comment letter to the Municipal Securities Rulemaking Board in support of a joint MSRB/Financial Industry Regulatory Authority proposal that would require dealers acting as principals to disclose to customers on their confirmations a "reference price" of the same security traded that same day.

Nearly every SEC commissioner has been pounding the drum for more muni disclosure in recent months, something Fleming said he also wants to lend his voice to.

"I'm pounding that same drum," Fleming said, explaining that the high concentration of retail investors in the fixed income market makes the space important to him. While there will be more work to do, the principal disclosure proposal and other recent MSRB initiatives aimed at improving market transparency are moves in the right direction, Fleming said.

"They don't solve everything, but they're positive steps," Fleming said.

Fleming said he expects his office to continue to be involved in muni market issues and submit comment letters on MSRB proposals.

THE BOND BUYER

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