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MSRB Reminds Dealers of Time of Trade Disclosure Obligations Related to Market Discount Bonds.

The Municipal Securities Rulemaking Board (MSRB) today published a regulatory notice to remind municipal securities dealers of their obligations under MSRB Rule G-47 to disclose to their customers, at or prior to the time of trade, all material information known about the transaction and material information about the security that is reasonably accessible to the market. In periods when interest rates rise, municipal bonds may frequently be sold in the secondary market for less than par value at a market discount. The MSRB's notice states its interpretation that the fact that a municipal security bears a market discount is material information that must be disclosed under Rule G-47 to a customer that is not a sophisticated municipal market professional (SMMP). The existence of market discount may have significant tax implications and therefore impact an investor's decision to purchase or sell an affected bond or determination of what price to pay or accept for such bond.

Read the regulatory notice.

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