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The Markup Rule for Municipal Bonds.

In bond transactions, investors are often curious to know the price that they pay for their securities and the markup that their brokers charge them. It becomes especially important for muni bond transactions wherein, because of the large number of issues and liquidity concerns, retail investors rely on their brokers to a large extent on pricing their securities.

In this regard, on September 2, 2016, the Municipal Securities Regulatory Board (MSRB) filed a proposed amendment to the Securities and Exchange Commission (SEC) regarding rules G-15, G-30 and FINRA Rule 2232. This change was to increase the transparency of the municipal bond market and to help further clarify the distinction between a bond's actual price and the markup the broker receives.

The amendment was finally approved and became effective on May 14, 2018, and is expected to raise a lot of discussions in the industry.

Let us go over some of the broader implications of these recently implemented rules.

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