

# **Bond Case Briefs**

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## **Municipal-Debt Rules Proposed to Ensure Brokers Seek Best Prices: Bloomberg.**

U.S. securities regulators proposed stricter rules on brokers in the \$3.7 trillion municipal-debt market designed to prevent investors from being shortchanged when trading state and local government bonds.

The rules, released today by the Municipal Securities Rulemaking Board, would require that brokers seek to trade at the most favorable prices possible for clients in the municipal-bond market, which lacks a centralized exchange. Brokers would have to check prices on various platforms before trading.

The Alexandria, Virginia-based board, known as the MSRB, said the step may boost competition among brokerage firms and lower trading costs for investors. Similar requirements already exist in the corporate bond market.

The proposal would need to be approved by the Securities and Exchange Commission. The SEC said in 2012 that stricter rules could lead to fairer prices for buyers and sellers of state and local government bonds.

The municipal-bond market is dominated by individual investors seeking the tax-exempt income generated by state and local government debt. Such investors hold \$1.6 trillion, or 44 percent, of outstanding municipal bonds, according to the Federal Reserve Board.

Many such securities, sold by local school boards and other infrequent borrowers, aren't often traded, which can make it difficult for individuals to determine what the market price should be.

The existing rules in the municipal market require brokers trade with their customers at "fair and reasonable" prices, the MSRB said. The proposed regulations would require that brokers seek prices that are "as favorable as possible under prevailing market conditions" by gauging trading on electronic platforms with firms that act as middlemen for brokers, and other potential buyers, before executing trades.

The rule wouldn't apply to certain institutional investors, such as money-management firms that are better equipped than individuals to monitor prevailing prices.

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