

# **Bond Case Briefs**

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## **NYT: S.E.C. Chief Seeks to Enhance Disclosure in Bond Markets.**

The Securities and Exchange Commission is seeking to shine a light on trades in the relatively opaque markets for corporate and municipal bonds.

Mary Jo White, the head of the S.E.C., said in a speech on Friday that she had asked the agency to pursue an effort to make information about bond prices more widely available. The initiative, which would require the public dissemination of price quotes generated in alternative trading systems and other electronic markets, could enhance transparency in a sector of Wall Street where middlemen may now have an advantage over investors, Ms. White said.

Just weeks after unveiling sweeping proposals for the stock market, Ms. White signaled a renewed commitment by the S.E.C. to treat oversight of bond trading as a priority. The agency in 2012 released several recommendations related to municipal bonds, but that report did not produce the changes that many in the market had expected.

The market for municipal bonds is highly fragmented, with tens of thousands of issuers and nothing resembling a centralized exchange. Even the market for corporate bonds, while more centralized and consistent than the municipal market, lacks an easy way for average investors to find information about price quotes. Bonds, in general, trade far less frequently than stocks.

A requirement to make more information public could eat into the profits of Wall Street brokerage houses, which can use the market's opacity to their advantage.

Ms. White, in the remarks delivered to the Economic Club of New York, indicated that the S.E.C. would support other regulatory bodies as they complete separate efforts to enhance oversight of the bond markets. She said the agency would work with the Municipal Securities Rulemaking Board, a self-regulatory body, as it finalizes a rule to make sure that investors in municipal bonds have their orders executed on the best available terms.

The agency would also collaborate with the Financial Industry Regulatory Authority, Wall Street's self-regulator, and the municipal board to help them provide guidance on how brokerage firms can follow the best-execution requirement, Ms. White said.

In addition, Ms. White said the S.E.C. would work with the two self-regulatory bodies as they write rules governing the disclosure of mark-ups in "risk-less principal" transactions. In that type of transaction, a brokerage firm executes a client's order by simultaneously executing an identical order in the market, with the intention of eliminating its own risk. Brokerage firms can charge a markup for this service.

Ms. White contrasted the bond market with the stock market, which she said had largely benefited from advances in technology. In the bond market, also known as the fixed-income market, it is an open question whether "the transformative power" of technology and competition has "been allowed to operate to the extent it should to benefit investors," Ms. White said.

"I am therefore concerned that, in the fixed income markets, technology is being leveraged simply to make the old, decentralized method of trading more efficient for market intermediaries, and its potential to achieve more widespread benefits for investors, including the broad availability of pre-trade pricing information, lower search costs and greater price competition, especially for retail investors, is not being realized," Ms. White said.

The S.E.C. chief's assessment of the bond markets followed her recommendations earlier this month for new rules in stocks, aimed at strengthening the structure of the stock market and improving disclosures for investors.

Her recommendations for the bond market were similarly aimed at improving disclosure.

"Properly implemented, rules providing for better pre-trade pricing transparency have the potential to transform the fixed income markets by promoting price competition, improving market efficiency and facilitating best execution," Ms. White said.

By WILLIAM ALDEN JUNE 20, 2014 1:17 PM