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SEC Investor Advocate Calls for Municipal Bond Market Reforms.

Securities and Exchange Commission Investor Advocate Rick Fleming called Wednesday for municipal bond market reforms.

Noting three quarters of muni bonds are owned by individual investors directly or indirectly, he said his office will work with the SEC and self-regulatory organizations (including presumably the Municipal Securities Rule Making Board and the Financial Industry Regulatory Authority) to improve disclosures and other protections.

He added a new law may be necessary.

In prepared remarks to the Southwest Securities Conference in Dallas, the investor advocate said he also will look at the cybersecurity efforts of the agency, the exchanges and market participants.

“Hackers and electronic terrorists present a constant threat to the financial security and privacy of investors,” said Fleming, explaining his rationale for jumping into this area.

Looking ahead, he promised to advocate new tools to help advisors protect elderly and other clients with declining brain function when advisors suspect financial or other abuse.

Fleming reiterated his call for increased Congressional funding of the SEC through advisor fees so the agency can raise the number of advisors examined from the current 9 percent a year.

Countering objections from House Republicans who have refused to let Congress consider the idea, he acknowledged the idea of a “user fee” sounds a lot like a tax, but advisor trade groups have shown their support of them to improve quality control within the industry.

“A shorter examination cycle won’t stop all fraud, but I believe it will allow the SEC to halt these types of activities sooner and will provide a stronger deterrent to advisors who might otherwise succumb to the temptation to steal,” he said.

And, as he has said in the past, in the absence of more money, Fleming said requiring advisors to hire third-party consultants to conduct SEC-like examinations could be an alternative to increase protections, though a lesser one.

FINANCIAL ADVISOR
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