
Muni-Bond Buyers May Get More Data on Price Markups.

Individuals who buy municipal bonds may get more information on what their securities firm paid for them under new requirements proposed by the Municipal Securities Rulemaking Board.

The proposal by the self-regulator, released Monday in conjunction with a similar proposal for corporate bonds from the Financial Industry Regulatory Authority, would require brokers to disclose on trade confirmations the prices they paid that same day for the same bond issue. The disclosure would go to anyone buying less than $100,000 in bonds.

If a securities firm purchased bonds and then immediately sold them to an investor, the buyer would clearly see the dealer's markup. A customer selling bonds to a dealer would also see that dealer's same-day sale price for that security.

The proposal is the latest effort by regulators to increase transparency in the $3.7 trillion municipal-bond market, which was described in a 2012 Securities and Exchange Commission report as "illiquid and opaque." Individual investors own almost three-quarters of the debt issued by cities, states and other municipalities, either directly or through mutual funds. Many buy the bonds for tax-free income as a way to fund their retirements.

The proposal comes as municipal bonds have posted gains for 10 consecutive months, the longest rally in state- and local-government debt since 1992, according to Barclays BARC.LN +0.95%. The strong gains have attracted investors who abandoned munis in 2013 amid widespread concern over Detroit's bankruptcy and Puerto Rico's financial woes.

The SEC's 2012 report recommended the MSRB consider requiring increased price disclosure to individual investors. The MSRB already makes trade prices available through its Electronic Municipal Market Access website, known as Emma, the group said in a news release announcing the new proposals. Corporate-bond trades can be found at Finra's Trade Reporting and Compliance Engine, called Trace.

"Our approach takes information already available to the public online but provides it directly to retail investors at the time of the transaction, enabling them to more easily evaluate their transaction costs," said Lynette Kelly, executive director of the MSRB, in the release.

The SEC has made its own efforts to protect investors in the muni market. Those have included settling with Kansas, New Jersey and Illinois for failing to note underfunded pension obligations in disclosures to bond investors and fining 13 brokerage firms for improperly selling junk-rated Puerto Rico bonds in increments below $100,000, the agency's first action under a rule designed to protect retail investors from high-risk debt. The states and brokerages didn't admit or deny wrongdoing.

The MSRB and Finra are both seeking input on the economic implications of the proposals as well as alternative approaches. Comments should be submitted to the agencies by Jan. 20, 2015.

"Publishing these proposals simultaneously will allow for efficient responses to both proposals and facilitate consideration of whether any differences between the municipal securities and corporate bond markets justify differences in regulations in this area," Ms. Kelly said.

THE WALL STREET JOURNAL

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November 17, 2014