

Bond Case Briefs

Municipal Finance Law Since 1971

SEC Commissioner Aguilar: Retail Investors Victimized by Lack of Muni Bond Oversight.

Securities and Exchange Commissioner Luis Aguilar claimed Friday retail investors in municipal bonds are victimized by a lack of transparency, higher markups than for institutional investors and the SEC's inability to regulate public offerings by issuers.

He asserted retail investors paid more than \$10 billion in excessive markups and markdowns between 2005 and 2013.

Pointing out consumers paid an average of double the spread of institutional investors, the Democratic commissioner said, "Retail investors lack access to reliable price information about the municipal securities they may want to buy or sell. As a result, it is exceedingly difficult for retail investors to determine if the prices they are offered and the fees they are charged by their brokers are reasonable."

He noted the vast quantities of municipal bonds—more than 1.5 million different issues—makes it difficult for investors to buy or sell a particular one.

Aguilar urged the Financial Industry Regulatory Authority (Finra) and the Municipal Securities Rulemaking Board to impose an accurate markup disclosure requirement and to require dealers to disclose their proposed markups before a trade is executed.

FINANCIAL ADVISOR

FEBRUARY 13, 2015 • TED KNUTSON