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MSRB Publishes Draft Guidance to Support Fair Pricing of Municipal Securities and Dealer Compensation Calculations.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today [proposed new regulatory guidance](#) on how municipal securities dealers price bonds and calculate their compensation.

“Today’s draft pricing guidance is a major step in the MSRB’s effort to ensure investors are getting a fair price when buying and selling municipal bonds, and ultimately, that they better understand the cost of their transactions,” said MSRB Executive Director Lynnette Kelly. “We are eager to continue our momentum on advancing these important issues in coordination with other regulators.”

The MSRB’s draft guidance seeks to promote consistent compliance by municipal securities dealers with existing fair-pricing obligations to investors and better align standards on these subjects with those that apply to other fixed income securities. The MSRB believes the draft guidance also could support development of a possible mark-up disclosure rule for the benefit of retail investors in the municipal securities market.

Public comments are due March 31, 2016. The MSRB will host an educational webinar about the rule on Thursday, March 10, 2016 at 3:00 p.m. Eastern Time. Webinar participants are eligible to receive continuing professional education credit. [Register for the webinar.](#)

MSRB rules govern dealer pricing and compensation, and require dealers to engage in municipal securities transactions with customers at an aggregate price that is fair and reasonable. To meet this standard, the aggregate price must bear a reasonable relationship to the “prevailing market price” of the security, and, as part of the aggregate price, the dealer’s compensation—in the form of a “mark-up” or “mark-down”—must also be fair and reasonable.

The MSRB’s reevaluation of what factors dealers should consider in establishing the prevailing market price of a municipal security seeks to promote consistent compliance with existing fair-pricing obligations. The MSRB also believes that additional guidance on prevailing market price may be necessary for its development of a possible new requirement that municipal securities dealers disclose on customer confirmations the amount of the mark-up or mark-down in certain transactions with retail investors.

Today’s draft prevailing market price guidance for municipal securities is designed to harmonize it with the guidance established by FINRA for purposes of other types of fixed income securities, to the extent appropriate in light of the differences between the markets. At the same time, the MSRB recognizes there are important differences between the municipal market and other markets and is specifically inviting comment on the appropriate tailoring of the draft guidance to address these differences.

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