

# **Bond Case Briefs**

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## **Bond Dealers Would Have to Report Retail Markups in Finra Plan.**

Brokers would have to reveal how much they earn on bond transactions that involve retail clients under a U.S. regulator's plan for cracking down on inflated commissions.

The Financial Industry Regulatory Authority proposal, if approved by the Securities and Exchange Commission, would force brokers to report markups on bonds they hold for no more than one day, according to a statement released Friday. The requirement would close a loophole that allows brokers avoid disclosing commissions on bond sales, while markups on stock trades have to be reported.

"Finra has found that some individual investors pay considerably more than others for similar trades," Chief Executive Officer Richard Ketchum said in the regulator's statement. "Providing meaningful and useful pricing information will assist customers in monitoring costs, promote transparency into firms' pricing practices, and help enhance investor confidence."

Securities regulators have struggled for decades to improve transparency in the bond market, where the majority of trades are still completed by telephone and most price quotes are never made public. Some retail investors pay markups that are more than 2 percent of the value of their investment-grade bond trade, while institutional investors on average pay much less, according to Finra data.

If the rule had been in effect early last year, its disclosure requirement would have covered 98 percent of all retail bond trades, Finra said in September. It won't apply to trades between dealers and institutional investors.

The SEC and Finra began a campaign for the disclosure almost two years ago, after SEC Chair Mary Jo White told Finra and the Municipal Securities Rulemaking Board to draft a rule to protect retail investors. Wall Street firms and trade groups such as the Securities Industry and Financial Markets Association opposed the requirement, arguing that most commissions are fair and that retail investors can research prices using public databases maintained on Finra's and MSRB's websites.

"Markups have been greatly reduced and while outliers exist, trading data demonstrates that markups have narrowed and that the market is not as uncompetitive as some critics have noted," Craig Noble, managing director and head of capital markets trading at Wells Fargo Advisors LLC, told an SEC advisory panel last month.

### **Bloomberg Business**

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February 26, 2016 — 12:23 PM PST

