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## **FINRA Hits Merrill Over Muni Sales.**

**The firm made 105 customer transactions in a municipal security at amount lower than the minimum denomination, FINRA says.**

The Financial Industry Regulatory Authority fined and censured Merrill Lynch over alleged violations of two Municipal Securities Rulemaking Board Rules concerning municipal security minimum denominations, according to FINRA.

FINRA claimed Merrill violated MSRBG-15(f), which prohibits a broker, dealer or municipal securities dealer from effecting a customer transaction in municipal securities in an amount lower than the issue's minimum denomination, and MSRB Rule G-47, which requires customers to be informed when that happens.

Without admitting or denying the findings, Merrill Lynch signed a FINRA [letter of acceptance, waiver and consent](#) Dec. 17 in which the firm agreed to the censure and a \$150,000 fine that included \$130,000 for violating Rule G-15(f) and \$20,000 for violating Rule G-47. FINRA accepted the letter Friday.

From July 1, 2015 through June 30, 2018, Merrill "executed 105 customer transactions in a municipal security in an amount lower than the issue's minimum denomination in violation of" Rule G-15(f), according to the FINRA AWC letter.

In 20 of those instances, Merrill "failed to inform its customer at the time of trade that the municipal securities transaction was in an amount below the issue's minimum denomination," violating Rule G-47, according to the letter.

Merrill declined to comment Monday. However, according the letter, the firm "provided evidence that it offered to rescind the transactions to all the firm's customers that continued to hold the position."

Municipal securities issuers establish minimum denominations for bonds at issuance to "help target the sale to an appropriate category of investors or reduce administrative costs, among other reasons," MSRB [points out at its website](#).

"In some cases, the use of minimum denominations is set by state or local law," it notes, adding it "has no rulemaking authority over issuers, including with respect to the use of minimum denominations."

However, "to help to ensure that municipal securities dealers observe minimum denominations in the official statement of a bond issue, the MSRB in 2002 established a rule that generally prohibits dealers from effecting a municipal securities transaction with a customer in an amount below the minimum denomination of the issue," it says.

**ThinkAdvisor**

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