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## **Muni Market Transaction Costs Remain High, Despite Customer Protection Rules, Study Says.**

### **Researchers find dealers mark up prices when customers are less likely notice**

Municipal bond dealers set prices well above what they pay for the securities, reaping windfalls at the expense of individual investors despite recent regulation aimed at curbing so-called markups, according to an academic study of trading data released Thursday.

“Dealers appear to use their pricing discretion to charge higher markups to small customers when investors are less likely to notice,” wrote the study’s authors, John Griffin and Samuel Kruger of the University of Texas at Austin, and Nicholas Hirschey of the Universidade NOVA de Lisboa.

State and local governments sell bonds in the roughly \$4 trillion municipal market to finance infrastructure such as roads, sewers and high schools. Most of the debt is held by households, either directly or through mutual or exchange-traded funds. The interest is typically exempt from federal and often state taxes, attracting high net worth individual investors.

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### **The Wall Street Journal**

By Heather Gillers

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