



BDA Releases Dealer Practices and Procedures Regarding Appropriate Disclosure, Suitability and Pricing of Municipal Bonds In Secondary Market Transactions

Washington, D.C.; June 8, 2011—The Bond Dealers of America are releasing a new set of practices and procedures for fixed-income dealers to guide them in executing secondary market municipal bond transactions with retail investors. The guidelines will enable dealers to appropriately work with their customers within the rules set by the Municipal Securities Rulemaking Board and enforced by the Financial Industry Regulatory Authority.

“Our members spent many hours with FINRA leadership to ensure the practices and procedures spelled out in this document are useful to dealers when they’re working to meet the regulatory objectives laid out by FINRA and the MSRB,” commented Mike Nicholas, Chief Executive Officer of the BDA.

The new BDA guidelines are designed to help dealers meet three MSRB regulations, G-17, which requires dealers to act fairly and disclose all material facts to investors, G-19, which requires dealers to offer customers suitable securities and G-30, which requires dealers to make trades at fair and reasonable prices. In the guidelines, the BDA recommends dealers adopt a written policy explaining the steps and procedures it expects its representatives to follow. These steps should include a statement about what information a representative should obtain regarding each security he or she offers an investor, a statement about what information a representative should learn about an individual customer and what information a representative should disclose to customers. Dealers should also state in writing what steps it expects representatives will take to ensure they trade at fair and reasonable prices. Finally, dealers should also state how they expect representatives to document that they have complied with the firm’s transaction policies.

“We believe these practices and procedures will help dealers meet all appropriate disclosure, suitability and pricing regulations without imposing burdensome and unnecessary

requirements upon them,” said Mr. Nicholas. “Our intent was to meet these objectives without forcing dealers to complete a transaction-by-transaction checklist.”

The BDA’s guidelines also address online communications, which have received a minimal amount of attention from the MSRB. The BDA recommends dealers fashion reasonable procedures that keep in mind that disclosure, suitability and pricing obligations are the same online as they are in one-on-one transactions. Specifically, dealers should take steps to consider what constitutes fair practices and protect investors from becoming confused while purchasing securities online. Dealers should take additional steps to avoid giving customers unintended recommendations and, finally, they should put in place procedures that ensure they are complying with all suitability requirements.

An Executive Summary of the guidelines is available [here](#).

The Bond Dealers of America is the only U.S. organization that exclusively represents securities dealers primarily focused on the U.S. fixed income markets.