

# THE BOND BUYER

## Gensler testimony has muni market on alert

By

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SEC Chairman Gary Gensler has directed his staff to consider ways to bring efficiency and transparency to fixed income markets, though his priorities appear to differ from the approach of his predecessor and seem unrelated to the recommendations from 2012.

“I’ve asked staff for recommendations on how we can bring greater efficiency and transparency to the non-Treasury fixed income markets — corporate bonds, a \$11 trillion market; municipal bonds, a \$4 trillion market; and asset-backed securities (which back mortgages, automobiles, and credit cards), a \$13 trillion market,” Gensler said in his opening testimony before the Senate Banking Committee Tuesday.

“This market is so critical to issuers,” he added. “It is nearly 2.5 times larger than the commercial bank lending of about \$10.5 trillion in our economy.”



*SEC Chairman Gary Gensler said he wants his staff to look at ways to improve the efficiency of the municipal and other fixed income markets. **Bloomberg***

The SEC's comprehensive 2012 [report](#) on the municipal market outlined many recommendations for regulators to implement, some of which were subsequently addressed by the Municipal Securities Rulemaking Board including markup disclosures and best execution requirements. None of the leftover issues from the 2012 report appear to have captured much of the SEC's attention as of late.

"There really hasn't been the kind of sustained energy around issues that there was post-Dodd-Frank," Dave Sanchez, senior counsel at Norton Rose Fulbright and co-author of the 2012 report, said. "Until you start to see a little more energy around it, I don't know that they're actually working on anything that's going to result in some noticeable regulatory change."

Former SEC Chairman Jay Clayton formed a Fixed Income Market Structure Advisory Committee of practitioners and academics to advise him on fixed-income regulation and the evolution of the markets. Gensler's focus on these issues could be similar, though his approach may differ.

"I don't know that Gensler is going to maintain that arrangement," said Michael Decker, senior vice president for research and public policy at Bond Dealers of America. "But I think he is probably focused on some of the same issues that Clayton was in terms of the electronification of the fixed income markets, and all to all trading."

Another place where the Commission acted in 2020 is the authority of municipal advisors to solicit investors in private placement transactions. This along with the continued push toward electronification of fixed income markets and the adoption of all to all trading may warrant further attention from the SEC.

Emily Brock, director of the Government Finance Officers Association's federal liaison center, says Gensler, with his orientation toward hot-button issues such as cryptocurrencies and climate disclosures, isn't wasting his time looking at what wasn't completed by previous administrations.

"I think what he seemed to be focusing on is not what wasn't checked off the list," Brock said. "Rather, I think he's kind of looking forward."

Clayton also seemed to be hyper-focused on the timeliness of disclosures, which wasn't mentioned anywhere in Chairman Gensler's hours of testimony.

Regardless of his exact priorities, Gensler's testimony has the muni industry on close watch.

"Today's testimony is probably an indication that we might see more from the SEC," Decker said.

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