

MEMO# 25803

January 18, 2012

GAO Issues Report on Municipal Securities

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 3-12
FIXED-INCOME ADVISORY COMMITTEE No. 2-12
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 2-12
SEC RULES COMMITTEE No. 4-12 RE: GAO ISSUES REPORT ON MUNICIPAL SECURITIES

Yesterday, the Government Accountability Office issued a report on the overview of the market structure, pricing, and regulation of municipal securities. The report was issued in response to a directive by the Dodd-Frank Wall Street Reform and Consumer Protection Act that required GAO to review several aspects of the municipal securities market, including the mechanisms for trading, price discovery, and price transparency. This report examines (1) municipal security trading in the secondary market and the factors that affect the prices investors receive, and (2) the SEC and SRO enforcement of rules on fair pricing and timely reporting. For this work, GAO analyzed trade data, reviewed federal regulators' programs for enforcing trading rules, and interviewed market participants (including ICI) and federal regulators. The report recommends that SEC collect and analyze information on SROs' fixed-income regulatory programs on an ongoing basis to better inform its risk-based inspection approach. The SEC agreed with the report's recommendations, but noted that it would need additional resources to conduct more frequent oversight of the SROs.

The report is available on the GAO's website at <http://www.gao.gov/products/GAO-12-265>.

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