

113TH CONGRESS
2D SESSION

S. 2114

To amend the Securities Exchange Act of 1934 with respect to disclosures to investors in municipal and corporate debt securities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 12, 2014

Mr. WARNER (for himself and Mr. COBURN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Securities Exchange Act of 1934 with respect to disclosures to investors in municipal and corporate debt securities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Bond Transparency
5 Act of 2014”.

6 **SEC. 2. MARKUP DISCLOSURE IN RISKLESS PRINCIPAL**
7 **TRANSACTIONS IN MUNICIPAL SECURITIES.**

8 Section 15B of the Securities Exchange Act of 1934
9 (15 U.S.C. 78o–4) is amended—

1 (1) by redesignating subsection (e) as sub-
 2 section (f); and

3 (2) by inserting after subsection (d) the fol-
 4 lowing:

5 “(e) MARKUP DISCLOSURE IN RISKLESS PRINCIPAL
 6 TRANSACTIONS.—

7 “(1) DEFINITION.—In this subsection, the term
 8 ‘riskless principal transaction’ means—

9 “(A) a transaction in which a broker, deal-
 10 er, or municipal securities dealer receives a cus-
 11 tomer order to buy or sell any municipal securi-
 12 ties and, after receiving the customer order,
 13 buys the municipal securities from, or sells the
 14 municipal securities to, another person, while
 15 acting as principal for its own account, to com-
 16 plete the customer order; and

17 “(B) any other transaction the Commis-
 18 sion identifies by rule as a riskless principal
 19 transaction.

20 “(2) DISCLOSURE REQUIRED.—A broker, deal-
 21 er, or municipal securities dealer that effects a risk-
 22 less principal transaction shall disclose to the cus-
 23 tomer, in writing, at or before the time of comple-
 24 tion of the transaction, the amount of the difference
 25 between—

1 “(A) the customer’s purchase price and the
 2 broker’s, dealer’s or municipal securities deal-
 3 er’s purchase price; or

4 “(B) the customer’s sale price and the bro-
 5 ker’s, dealer’s, or municipal securities dealer’s
 6 sale price.”.

7 **SEC. 3. MARKUP DISCLOSURE IN RISKLESS PRINCIPAL**
 8 **TRANSACTIONS IN CORPORATE DEBT SECURITIES.**
 9 **RITIES.**

10 Section 15 of the Securities Exchange Act of 1934
 11 (15 U.S.C. 78o) is amended by adding at the end the fol-
 12 lowing:

13 “(p) MARKUP DISCLOSURE IN RISKLESS PRINCIPAL
 14 TRANSACTIONS IN CORPORATE DEBT SECURITIES.—

15 “(1) DEFINITIONS.—In this subsection—

16 “(A) the term ‘specified debt security’—

17 “(i) means any security that—

18 “(I) evidences a liability of the
 19 issuer (including any such security
 20 that is convertible into stock or simi-
 21 lar security), including bonds, deben-
 22 tures, notes, or any similar instru-
 23 ments, and any fractional or partici-
 24 pation interests in any of the fore-
 25 going; and

1 “(II) constitutes—

2 “(aa) United States dollar-
3 denominated securities issued by
4 the United States or a foreign
5 private issuer; or

6 “(bb) any other security the
7 Commission identifies by rule as
8 a specified debt security for the
9 purposes of this subsection; and

10 “(ii) does not include a municipal se-
11 curity, as defined in section 3(a)(29) of
12 this Act; and

13 “(B) the term ‘riskless principal trans-
14 action’ means—

15 “(i) a transaction in which a broker
16 or dealer receives a customer order to buy
17 or sell any specified debt securities and,
18 after receiving the customer order, buys
19 the specified debt securities from, or sells
20 the specified debt securities to, another
21 person, while acting as principal for its
22 own account, to complete the customer
23 order; and

1 “(ii) any other transaction the Com-
2 mission identifies by rule as a riskless
3 principal transaction.

4 “(2) DISCLOSURE REQUIRED.—A broker or
5 dealer that effects a riskless principal transaction
6 shall disclose to the customer, in writing, at or be-
7 fore the time of completion of the transaction, the
8 amount of the difference between—

9 “(A) the customer’s purchase price and the
10 broker’s or dealer’s purchase price; or

11 “(B) the customer’s sale price and the bro-
12 ker’s or dealer’s sale price.”.

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