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## **MSRB: Muni Trading Volume Continues to Fall in 2015.**

WASHINGTON — Municipal bond trading volume fell 13% during 2015 while the overall number of trades remained relatively stable, continuing a pattern that stretches back to 2007, according to data released Thursday by the Municipal Securities Rulemaking Board.

The 2015 level of \$2.42 trillion in total par amount of bonds traded was down from about \$2.77 trillion the year before and a significant decrease from the peak of \$6.7 trillion in 2007. The MSRB's data for the third quarter of 2015 showed the trading volume was the lowest it has been since at least 2005, when the self-regulator began recording market statistics.

The decrease can mostly be attributed to the continued fall of the total par amount traded for variable rate securities, the board said. The volume of variable rate trades dropped 40% year over year in 2015 while the par amount traded for fixed rate securities grew nearly 5% in 2015 when compared to the year before.

Despite the falling trading volume, the actual number of trades rose in 2015 to about 9.26 million from roughly 8.91 million in 2014. The number of trades has ranged between 8.91 million and about 10.6 million since 2007. The combination of lower trading volume and stable numbers of total trades suggests there has been a drop in average trade size over time.

The data also shows that customer trades, as a part of overall trading volume, has also slipped slightly over the last few years, falling to 77% in 2015 from 84% in 2011. Interdealer trades as a percentage of trading volume, in turn, grew every year during that span, rising to 24% of the volume in 2015 compared to only 16% in 2011.

Puerto Rico bonds and New Jersey transportation bonds topped the most traded bond lists. A Commonwealth of Puerto Rico bond with a 2035 maturity and an 8% coupon led with a trading volume of \$7.48 billion in 2015 and a New Jersey State Transportation Fund Authority bond with a 2044 maturity and 4.25% coupon had the most number of trades, at 6,741.

The Fact Book also tracks the number of continuing disclosure documents issuers have submitted over the past few years. Overall disclosures declined about 6% in 2015 from 2014, but are still about 12% higher than they were in 2013, according to the board.

The large spike in disclosures in 2014 coincided with the Securities and Exchange Commission's introduction of its Municipalities Continuing Disclosure Cooperation initiative in March of that year. The initiative allows issuers and underwriters to get more lenient settlements from the SEC for self-reporting any time during a five-year period that an issuer said it was in compliance with its continuing disclosure obligations, when it was not. Municipal market participants have credited MCDC with improving their continuing disclosure compliance.

While many of the breakdowns explaining the different financial documents that were submitted remained similar between 2014 and 2015, the number of filings to disclose a failure to provide annual financial information decreased 22% to 5,716 from 7,323 the year before.

Many of the document submissions for event notices also stayed relatively similar year over year, but the MSRB data shows there were 21 documents filed to disclose an adverse tax opinion or event affecting tax-exempt status compared to nine in 2014. There were also 33 fewer notices filed because of bankruptcies and receiverships and 53 fewer documents filed because of non-payment related defaults.

The MSRB's Fact Book is compiled using information dealers and issuers submit throughout the year that is posted on the self-regulator's EMMA system, the sole repository for required disclosures in the muni market.

THE BOND BUYER

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