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MSRB Releases New Data on Inter-Dealer Electronic Trading of Municipal Bonds.

Washington, DC – New data from the Municipal Securities Rulemaking Board (MSRB) reflect steady and robust use of alternative trading systems (ATSs) by municipal security dealers. The MSRB, which collects municipal securities pricing and other data, released statistics today showing that over the last year, an average of approximately 59 percent of trades between dealers—and 29 percent of par volume traded—were executed on an ATS.

About 90 percent of ATS trades were conducted on transactions of \$100,000 or less, an amount that is typically a proxy for retail-sized transaction. When looking at all retail-sized trades in the municipal market, about 25 percent were conducted on ATSs. The data are based on mandatory information reported to the MSRB by municipal securities dealers and are the first official statistics on electronic trading of municipal bonds. [Read the MSRB's Fact Sheet on Inter-Dealer Municipal Trading.](#)

“Our data provide the market’s first view of the extent to which ATSs are used in the muni market,” said John Bagley, Chief Market Structure Officer at the MSRB. “These platforms, which disseminate quotes and expand access to bond inventories, can help improve liquidity and market efficiency. They can also help dealers obtain the best pricing for investors.”

Municipal securities are traded in an over-the-counter dealer market and not on a central exchange. Dealers, acting as intermediaries for investors, trade in one of three ways: on ATSs, through broker’s brokers and directly with each other. Data reported to the MSRB show that approximately:

- 59 percent of inter-dealer trades are executed on an ATS
- 34 percent of inter-dealer municipal trades are conducted directly between dealers
- 7 percent of inter-dealer trades occur through a broker’s broker, also known as a voice broker

Cumulatively, municipal inter-dealer trades accounted for 39 percent of all trades and 20 percent of all par traded in the market over the prior 12 months. The remaining are purchases and sales between dealers and customers.

Unlike electronic brokerage platforms available to individual investors, an ATS can be used only by dealers and institutional investors. ATSs provide electronic access to available municipal securities, price transparency and support liquidity.

“Federal Reserve data show that dealer inventories of municipal securities declined about 50 percent over the last decade,” Bagley said. “ATSs and broker’s brokers can provide a way for dealers to access bids and offers from a wide range of market participants.”

The MSRB began collecting information to identify which municipal bond transactions occur on an ATS in July 2016 to determine the extent to which they are used in the market. Historically, dealers have identified in their reported trades when they use a broker’s broker. Today, ATS trades, along with broker’s brokers trades, are flagged publicly on the MSRB’s Electronic Municipal Market

Access (EMMA®) website, enhancing transparency about the use of digital municipal bond trading. The MSRB will continue to publish data on inter-dealer trading and ATS trades in the municipal market on an annual basis.

The MSRB regularly publishes municipal market statistics, including market-wide trading activity on a quarterly basis, and an annual Fact Book available [here](#). The MSRB's market statistics on the EMMA website cover trading activity of municipal securities, new municipal issuance and continuing disclosure submissions.

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