Wall Street's Muni-Bond Trading Giants Are Losing Business to Rivals.

- **Less than 20 percent of trades done by top three, MSRB says**
- **Drop in concentration seen as sign of liquidity, competition**

In the business of trading municipal bonds, the little guys are chipping away at Wall Street's behemoths.

The three biggest securities dealers handled fewer than 20 percent of the trades executed in the state and local debt market in 2018, down from about 24 percent the year before and over 29 percent in 2011, according to a report released Wednesday by the Municipal Securities Rulemaking Board, which didn't identify firms by name.

It found the concentration of trades among the top five and top 10 dealers also declined "significantly," even if the dollar volume of their share increased — reflecting work in handling bigger transactions. The biggest loss of business came from trades of $100,000 or less, the type done on behalf of individual investors instead of customers like mutual funds or insurance companies.

The regulator said it's hard to identify why trading activity has become less consolidated among the biggest dealers, but said the rise of computer-driven trading may have played a role.

"The decrease in concentration in the top five dealers and a greater number of dealers participating in both large and small trades could be a sign of greater overall market liquidity, increased competition for customer business and a sign that customers are not as reliant on a few dealers as before," the regulator wrote in the report.

The shift stands in contrast to the underwriting business, which has become heavily concentrated among the leading banks. Last year, nearly half of all new municipal-bond deals were handled by just three firms — Bank of America Corp., Citigroup Inc. and JPMorgan Chase & Co., according to data compiled by Bloomberg.

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