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New MSRB Report Examines Impact of Mark-Up Disclosure Rule.

Washington, DC – Market structure experts at the Municipal Securities Rulemaking Board (MSRB) today shared their analysis on the impact on municipal bond market trading activities from recently effective MSRB rules requiring dealers to disclose their compensation for certain retail customer transactions in municipal bonds, commonly known in the industry as mark-up and mark-down disclosure. In the year since the disclosure requirement took effect, there has been no discernible market impact attributable to the new disclosure requirement based on metrics analyzed by the MSRB.

Requirements to disclose dealer compensation for certain retail transactions went into effect on May 14, 2018, through amendments to MSRB Rule G-15 and Rule G-30. The amendments aimed to expand investors' access to information about the cost of buying or selling a municipal security.

"Our analysis indicates that dealer trading behavior has been consistent with historical variation, and, based on our measures, we have not seen any unintended consequences of the mark-up disclosure rule," said MSRB Chief Economist Simon Wu.

The report, *Mark-up Disclosure and Trading in the Municipal Bond Market*, also builds on a previous MSRB analysis conducted in 2018, *Transaction Costs for Customer Trades in the Municipal Bond Market: What is Driving the Decline?*

"The continuing downward trend in transaction costs for retail-sized trades we observed is also occurring for institutional-sized trades that are not subject to the mark-up disclosure requirement, so other factors seem to be driving that decline," Wu said. "To date, the effect of the mark-up disclosure rule as measured in the MSRB analysis appears to be muted. The MSRB will continue to monitor the trends as investors become aware of the availability of mark-up information."

The MSRB evaluates municipal market trends as part of its mission to promote a fair and efficient market and plans to continue studying trading activity.

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