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## **Justice's Antitrust Division Conducting Inquiry Into Muni Bond Pricing.**

WASHINGTON - The U.S. Justice Department's antitrust division is conducting a general inquiry into whether certain broker's brokers have engaged in anti-competitive practices with regard to pricing for secondary market and other municipal bond trades, according to industry officials.

Broker's brokers act as intermediaries between bidding and selling dealers and typically provide secondary market liquidity for retail investors in the muni market.

The antitrust division has asked for general information about Jersey City, N.J.- based MuniBrokers.com, a company that provides a software platform for brokers' brokers to conduct and/or manage their business, according to Edward Smith, the company's general counsel, and Jay Caldas, the company's president.

The antitrust division appears to have received a complaint about alleged anti-competitive practices and is looking into it, but has not launched a formal investigation and has not requested documents or subpoenaed any information, said Smith and Caldas.

"We've been completely open in sharing information with them," said Smith. "This is a very light process. It's an inquiry not an investigation." Justice Department lawyers just want to know about the company's business, how it operates, he said.

"We periodically have inquiries from regulators," said Smith. "We know we operate within the compliance of the law."

The remarks by Smith and Caldas follow an article posted Wednesday night by the news outlet Law360 that said the Justice Department's networks and technology section opened an investigation in April into allegations that the brokers' brokers have colluded to limit information about pricing of bonds traded in the secondary market. The article cited MuniBrokers as the center of the examination.

"I was completely surprised by that article," said Caldas. "Our goal and objective is improved transparency and disclosure in the secondary market."

Caldas said MuniBrokers, a wholly owned subsidiary of HTD, formerly Hartfield Titus & Donnelly that was created in 2014, is not a regulated entity and does not trade municipal securities. It is a software platform that, among other things, allows brokers' brokers to post bid-wanted and offering information. In a bid-wanted, a selling dealer asks a broker's broker to obtain the best bid that it can find for certain munis, without specifying a desired price or yield.

The MuniBrokers.com platform does not disclose the counterparties of trades, Caldas said.

"It's like a billboard," Caldas said. "We're not a regulated broker-dealer or an alternative trading system," he said. "We're an unregulated software company." The firm is not involved in executing

transactions, but rather provides the software that supports trading.

The company serves nine brokers' brokers, including HTD, all of which are competitors, and is connected either directly or through third parties to about 50 broker-dealers, Caldas said.

Besides HTD, the other brokers' brokers that use the platform are: Butler Muni LLC; Chapdelaine Tullet Prebon, LLC; Clayton, Lowell & Conger, Inc.; Regional Brokers, Inc.; RW Smith; Sentinel Brokers Company, Stark Municipal Brokers; and Wolfe & Hurst Bond Brokers, Inc., a division of BGC Brokers.

MuniBrokers provides subscriptions to anyone who requests them. "It's open to anyone," Caldas said.

Peter Carr, a spokesman for the Justice Department's antitrust division, declined to comment on the matter. Executives for the broker's brokers with MuniBrokers.com either were not aware of the inquiry or were unavailable for comment.

The Municipal Securities Rulemaking Board adopted a specific rule for broker's brokers in 2012. Rule G-43, which took effect in December 2012 and is posted on MuniBrokers.com, affirms a broker's broker's duty to make a reasonable effort to obtain a fair and reasonable price for municipal securities and also reminds selling and bidding dealers of their pricing obligations. The rule, which was adopted after several enforcement cases had been filed against certain broker's brokers for unfair pricing practices, provides a series of safeguards designed to promote fairer results from bid-wanted.

The rule also cautions dealers against "screening" other dealers from their transactions for anti-competitive reasons. It prohibits dealers placing bids to purchase munis in a bid-wanted from submitting "throw away" bids or from attempting to profit by "picking off" other dealers at off-market prices.

THE BOND BUYER

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