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U.S. Municipal-Bond Probe Tied to MuniBrokers Said Set to Close.

The U.S. is poised to close an antitrust investigation in the municipal-bond market involving the operator of an Internet-based trading platform that distributes offerings for brokers, according to a person familiar with the matter.

MuniBrokers.com was contacted by the Justice Department's antitrust division in April as part of a general inquiry, said Ed Smith, general counsel at Hartfield, Titus & Donnelly LLC, which owns the service. Justice Department lawyers have since recommended closing the probe, according to the person, who declined to be named because the matter isn't public.

Trading in the \$3.6 trillion state and local debt market is handled over-the-counter by dealers, rather than exchanges. Investors looking to trade in the secondary market must buy or sell exclusively through dealers. These dealers can turn to inter-dealer brokers to facilitate trades.

Law360, a legal-news service, reported Wednesday that the Justice Department was investigating whether firms using MuniBrokers.com's trading system have agreed or have been forced to boycott competing services, citing unnamed sources close to the probe.

Smith said MuniBrokers.com doesn't restrict people from using the service and said they are not a target of an investigation. Jay Caldas, MuniBrokers.com president, said the trading system hasn't restricted the nine inter-dealer brokers that use it from using other systems, nor has there been any agreement among them to shun other systems.

"We distribute to other platforms, we enhance transparency," said Caldas. "We in no way restrict any of the participants in MuniBrokers."

MuniBrokers.com's website distributes bid lists to 1,400 users at 250 firms and to third-parties, including Bloomberg LP, which provides the information to clients. Brokers that use other software to circulate information can join MuniBrokers.com if they choose, Smith said.

Jersey City, New Jersey-based MuniBrokers.com began operations in 2014. Smith said he hasn't heard much from the government in the last few months.

"It's been very quiet," he said. "They're trying to figure out how we operate. They're trying to figure out what you guys do, what's your business model, what's your marketplace."

Peter Carr, a Justice Department spokesman, declined to comment.

About 35,000 offerings and 2,500 to 3,000 bids-wanted are displayed daily, said Caldas. It competes with Fabkom, another trading-system for brokers founded in 1990.

"They were in this space alone for 20 years until we entered in," Caldas said.

The nine firms that use MuniBrokers.com are: Butler Muni LLC; Chapdelaine & Co.; Clayton, Lowell

& Conger; Hartfield Titus; Regional Brokers Inc.; RW Smith & Associates Inc.; Sentinel Brokers Co.; Stark Municipal Brokers; and Wolfe & Hurst Bond Brokers Inc.

In a February 2015 speech, U.S. Securities and Exchange Commission member Luis Aguilar said there's evidence that dealers have refused to disclose to clients quotes they get through electronic platforms or contacts with other dealers.

"These factors have conspired to create a market that is more illiquid, opaque, costly, and unfair than it should be," Aguilar said.

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by Martin Z Braun and David McLaughlin

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