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## **MarketAxess Looks to Crack Muni-Bond Code.**

The firm at the front of the pack in electronic corporate bond trading is trying to crack the code on an even more antiquated corner of the fixed-income market: municipal bonds.

MarketAxess Holdings Inc. is laying the groundwork to connect municipal bond dealers and investors electronically early next year, according to people familiar with the matter. The firm's executives have met with clients and municipal bond dealers in recent months to gauge interest in electronic municipal bond trading including so-called "all to all" trading, which means different types of buyers and sellers trade with each other.

If successful, the New York-based firm would join a small group of existing municipal bond trading platforms and could benefit from its heft in investment grade and high-yield bond trading.

It is the latest attempt to speed trading and transparency in the \$3.7 trillion market for debt sold by U.S. state and local governments, which the SEC described in a 2012 report as "illiquid and opaque."

The market poses challenges for electronic trading because it has a larger number of securities and a greater number of dealers than the corporate bond market.

MarketAxess's talks come as regulators have increased efforts to disclose prices, transaction costs and dealer markups to the retail investors who own about 70% of municipal bonds, either individually or through mutual funds, and who typically buy the bonds seeking tax-exempt income, often to fund their retirements.

The Municipal Securities Rulemaking Board last week proposed new rules that would require municipal bond dealers to disclose the mark-ups they charge retail investors on trades. Comments on those proposals are due Nov. 20.

For MarketAxess, the work resurrects pre-crisis efforts to build an electronic municipal bond trading system. Success in the municipal bond market would help diversify its product mix and it is aiming to attract institutional dealers and investors, the people said.

Analysts at Keefe, Bruyette & Woods wrote in a note this month that the potential for MarketAxess to expand into municipal bonds or structured products would require minimal investment because the firm could use existing trading technology. The firm currently has a market capitalization of about \$3.5 billion.

"This makes sense to us strategically given that these are also illiquid markets - similar to that of corporate bonds where [MarketAxess] has already had success," the KBW analysts wrote of potential expansion.

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