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MSRB Responds to COVID-19 Rocking the Market.

The Municipal Securities Rulemaking Board will be publishing daily data summaries, pushing back comment deadlines and suspending a price alert in response to market volatility and COVID-19 concerns.

The MSRB published its first data summary Wednesday morning and plans to publish them every morning. Since the spread of the virus, the municipal market has tumbled through high “unprecedented” trade volume and large outflows.

“The municipal market touches the lives of every single American because it finances over two-thirds of the state and local infrastructure that is bearing the brunt of the coronavirus crisis,” said MSRB Board Chair Ed Sisk. “Dislocation in this critical capital market damages investor confidence and has an outsize effect on the financial health of communities around the country.”

At the beginning of March, the MSRB began seeing a significant change in volatility, said John Bagley, MSRB chief market structure officer.

“We saw significantly different trading patterns and we were closely watching this data and it was really helpful for us to see what was happening,” Bagley said.

In the MSRB’s first report showing data from March 24, trades topped 87,215, which is likely a record, said Marcelo Vieira, MSRB director of research.

“It’s pretty much unprecedented volume for any time period that we’ve looked at,” Vieira said.

The MSRB is also continuing to see retail buying and more institutional selling, which has been a pattern over the last month as mutual funds look for liquidity amidst an increase in redemptions.

Earlier this week the MSRB also decided to temporarily suspend price variance alerts for dealers because of the current market volatility.

The MSRB sends the alert via email to a dealer when a transaction is reported to its Real-Time Transaction Reporting System by the dealer and is at a price that is notably different than the price reported by other dealers for the same security within a specified time period.

It’s a welcome change given the volatility dealers are facing right now, said Michael Decker, Bond Dealer of America’s senior vice president of policy and research.

“In a market where trade volume has risen significantly and there’s a lot more price volatility, it’s my understanding that dealers are getting these price variance alerts more frequently even in cases where all the reports are correct,” Decker said.

Dealers still have to abide by MSRB Rule G-14, on reports of sales or purchases, to ensure that information being disseminated by RTRS is accurate. The MSRB said the price variance tool does not, under current market conditions, serve its intended purpose.

Earlier this week, the MSRB also extended the request for comment deadline for muni market participants to respond to changes to its Rule A-3 on membership of the board. Among those proposed changes was reducing the size of its 21-member board, how it selects those board members and imposing limits on how many years a board member may serve.

Comments were originally due on March 30 and have been extended to April 29.

By Sarah Wynn

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