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Regulator Explores the Collection of Pre-Trade Muni-Bond Prices.

- **Vast number of bonds, infrequent trades make market opaque**
- **Electronic trading has made quotes more available to traders**

The municipal bond market's regulator wants to know whether it should start collecting key price information for certain state and local government securities.

The Municipal Securities Rulemaking Board is seeking feedback on the potential benefits and disadvantages of getting pre-trade data from brokers and other participants in the public finance market to make the business more transparent, according to a Monday news release.

Muni bonds — which are sold by state and local governments to primarily finance infrastructure projects — are unlike stocks. The over-the-counter market doesn't have a mechanism to aggregate quotes and publicly disclose the price difference between the highest and lowest amount a buyer is willing to pay for a particular security. This is mostly due to its size. There are about 1 million securities in the muni market, compared with 8,000 securities listed on US stock exchanges.

"Having a two-sided market is going to be very, very challenging on most munis when they don't trade that frequently," said Jesy LeBlanc, co-founder of TRADEliance, a consultancy focusing on trading operations and compliance.

Back in 2013, the MSRB embarked on a similar effort but "no formal rulemaking" came out of it, the release said. Comments for the latest initiative are due May 16.

A 2012 report by the US Securities and Exchange Commission offered some recommendations to improve pre-trade price transparency. Commissioners could require electronic platforms to publicly disseminate quotes on frequently traded bonds or those that trade in high volume, the report said.

Technology, however, has made it easier for muni-bond traders to get prices from multiple sources before they trade. Currently dealers typically provide quotes on electronic platforms, but the information is only available to participating banks, asset managers and registered investment advisers and isn't broadly accessible to the public.

"While there has been some good progress in making more information available to traders over the last 15 years, that hasn't really trickled down to the retail side and I just don't see an easy way for that to occur," said LeBlanc.

The MSRB's free Electronic Municipal Market Access website, or EMMA, reports muni-bond trades to the public 15 minutes after they're executed. In September, the SEC approved a proposed rule change requiring the reporting of trades in most bonds to 1 minute. The effective date hasn't been announced.

Muni-bond trading costs have declined since the expansion of electronic trading and post-trade

prices became more transparent. The average spread between what a seller receives, and a buyer pays for a security with dealers acting as an intermediary dropped to 57 basis as of March 2023, from 73 basis points in 2019, according to the MSRB.

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