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Quincy CFO Talks BlackRock Purchase of Blockchain-Powered Municipal Bond.

Eric Mason, the CFO of his hometown of Quincy, Massachusetts, has launched an unprecedented form of public debt issuance in the U.S. that combines "the old with the new."

While "unprecedented efficiency" and "local government" don't often intertwine, Quincy and its CFO have merged municipal bond issuance with blockchain technology in a nontraditional format. Back in the Spring of 2024, a municipal bond issued by the city was executed on JPMorgan's Onyx blockchain platform. Most recently in December, JPMorgan sold 65% of the $10 million bond to global investment giant BlackRock's iShares Short Maturity Municipal Bond Active ETF (MEAR).

Essentially, a BlackRock ETF (exchange-traded fund) purchased a tax-exempt, seven-year bond worth $6.5 million at varying year-over-year rates, with the highest yield at 3.67% in the bond's first year and decreasing to 3.04% in the final year. While the city received the funds when it issued the bond in May 2024 and used it for a public roadway just outside City Hall, Mason said BlackRock's purchase legitimizes the use of blockchain technology in public debt issuance. He said it also allows local government to do something it seldom does — set a new precedent in efficiency through leveraging emerging technology.

Blockchain's ability to increase trading, boost liquidity and promote reporting consistency

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Blockchain's ability to increase trading, boost liquidity and promote reporting consistency
Though Mason is not a fan of cryptocurrency and has spoken extensively about his desire to decouple blockchain technology from assets like bitcoin, he said blockchain itself is something finance leaders in all industries should explore. To him, its value lies primarily in transparency, particularly in the issuance process and the liquidity upside for public debt.

"The real value comes from the fact that once you do this on a blockchain, the issuance process, the legality, the intrinsic documentation, live with that bond on the block forever," Mason said. "This

allows the secondary market to come and kind of freely trade these things as if they were trading an equity or a corporate bond."

While traditional municipal bonds trade once or twice annually, public debt issued in this format allows for much more frequent trading. By increasing the potential for trading volume, the bond can simultaneously increase liquidity while reducing risk.

"If we reduce friction in the [trading process], that increases liquidity on the secondary market and whenever you increase liquidity, the risk of holding that bond goes down," Mason said. "Reducing liquidity barriers on [the bond's] secondary market is really appealing to me right now."

When referencing data from the Electronic Municipal Market Access (EMMA) service, Mason seemed excited about its current performance. "When you look at some of these PAR values [the fixed face value of a bond repaid at maturity], the bond is trading at 112% of par value," Mason said. "I think everybody would love [near] 112 PAR value on their bond on origination."

Costs and benefits

Mason said this process was not more expensive than a traditional bond issuance and did not negatively impact the bond's interest rate, but required significantly more diligence from all parties involved.

"As the finance leader of a municipality, I am not allowed to take on more risk," he said. "The SEC doesn't want us to take on more risk, JPMorgan didn't want us to take on more risk, because they wanted this to be a true municipal bond despite the issuance occurring on the blockchain."

"What's interesting about this is most leaders [in bond trading] understand the legal structure of this type of debt, that it's very robust and very technically proficient, but here there's a beautiful merging of old school and new school and the economists I talk to say they're fascinated by what's going to happen here on the secondary market."

Though the amount of debt issued and purchased was small in the world of public municipalities, Mason said the ability to access liquidity, improve liquidity on the secondary market and enhance transparency in reporting and buying makes this type of technology both useful and scalable.

"That's something I find interesting about this — when we talk about consistency in reporting, blockchain technology provides a strong ability to enforce replication and consistency in that process in a transparent format," Mason said. "That's why I think this is just the start and completely scalable."

"The biggest challenge is the sociological aspect — that people tie blockchain back to crypto," he said. "But I think there's a legitimate marketing challenge here for blockchain as an entity in the world of traditional corporate finance."

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Published Jan. 31, 2025

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