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## **Vanguard Plans Two More Muni ETFs as Competition Heats Up.**

- **Issuers' new muni ETF offerings set a record in 2024**
- **Vanguard, BlackRock have the two dominant funds in the class**

Vanguard Group Inc. is planning to launch two new municipal-bond exchange-traded fund offerings after tripling its lineup of products catering to state and local-government debt investors last year.

The Vanguard New York Tax-Exempt Bond ETF, which is expected to trade under the ticker MUNY, will focus on investment-grade New York debt. The fund will appeal to residents of the high-tax state of New York who are drawn to the tax-free interest paid by municipalities there. The investing giant also filed to register the Vanguard Long-Term Tax-Exempt Bond ETF, or VTEL, which will provide exposure to longer duration municipal bonds.

While muni-tied products make up just \$146 billion in assets, a sliver of the more than \$10 trillion US ETF market, issuers are competing to offer new products in a bid to draw in investors in an increasingly competitive space. Wall Street money managers launched over two dozen new muni ETFs in 2024, a record.

The Malvern, Pennsylvania-based company is vying for leadership in the space with BlackRock Inc. The \$36.5 billion Vanguard Tax-Exempt Bond ETF and BlackRock's \$40.6 billion iShares National Muni Bond ETF (MUB) dominate market share.

Currently, no other muni ETF products have more than \$10 billion in assets, but that hasn't stopped other issuers from throwing their hat in the ring. Nuveen launched two actively managed muni ETFs in January.

Still, the low-cost, easy-to-trade products continue to draw investors. Muni ETFs have seen inflows in each of the past 12 months, including \$2.1 billion in February, Bloomberg Intelligence data show. The influx also comes as muni-bond yields stay relatively elevated, making the asset class more attractive compared to years of low interest rates.

Vanguard's two new passively-run funds are expected to have an expense ratio of 0.09%, or 90 cents per \$1,000 of average net assets.

"MUNY is specifically designed for tax-sensitive residents of New York while VTEL serves investors looking for exposure to longer duration municipal bonds, low fees, tax-efficiency, and trading flexibility," Vanguard spokesperson Jessica Schifalacqua said in an emailed statement.

### **Bloomberg Markets**

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March 6, 2025

