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Trends in Municipal Securities Trading: Broker's Brokers vs. Alternative Trading Systems

Figure 1. Broker's Brokers Number of Trades



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Introduction¹

This publication identifies trends and patterns in interdealer and customer trades in the municipal securities market for Alternative Trading Systems (ATS) and broker's brokers. Between 2017 and 2024, analysis shows that trading patterns for ATSs and broker's brokers diverged significantly. ATSs' trade volume grew proportionally with the overall and interdealer markets, while trading by broker's brokers decreased by 55%. By 2024, ATSs accounted for approximately 57% of interdealer trades, compared to just 2.3% for broker's brokers. In the customer market, trades with ATS-affiliated dealers rose sharply, whereas broker's brokers remained largely inactive.

Methodology

This report compares the municipal securities secondary trading market across three distinct years: 2017, 2021, and 2024. This provided a meaningful timeframe to observe market shifts over the past seven years. The year 2017 marked the first full year following an MSRB Rule G-14 amendment that introduced a new trade indicator for transactions executed through ATSs.² The market recorded the lowest trade volume on record in 2021, whereas 2024 marked the third consecutive year of record-high trade activity.

Given these fluctuations, the analysis focuses on identifying significant trends in all trade volumes among registered firms participating in ATS or broker's brokers transactions. The ATS data is defined as any interdealer transaction executed through an ATS, which must be reported to MSRB's Real-Time Transaction Reporting System (RTRS) with the appropriate ATS indicator. Broker's brokers trades were automatically flagged by RTRS when reported by a registered broker's broker based on the firm's MSRB Form A-12 registration.

¹ The views expressed in the research papers are those of the author(s) and do not necessarily reflect the views and positions of the MSRB Board and other MSRB staff.

² See [MSRB Notice 2016-09](#) (March 2, 2016)

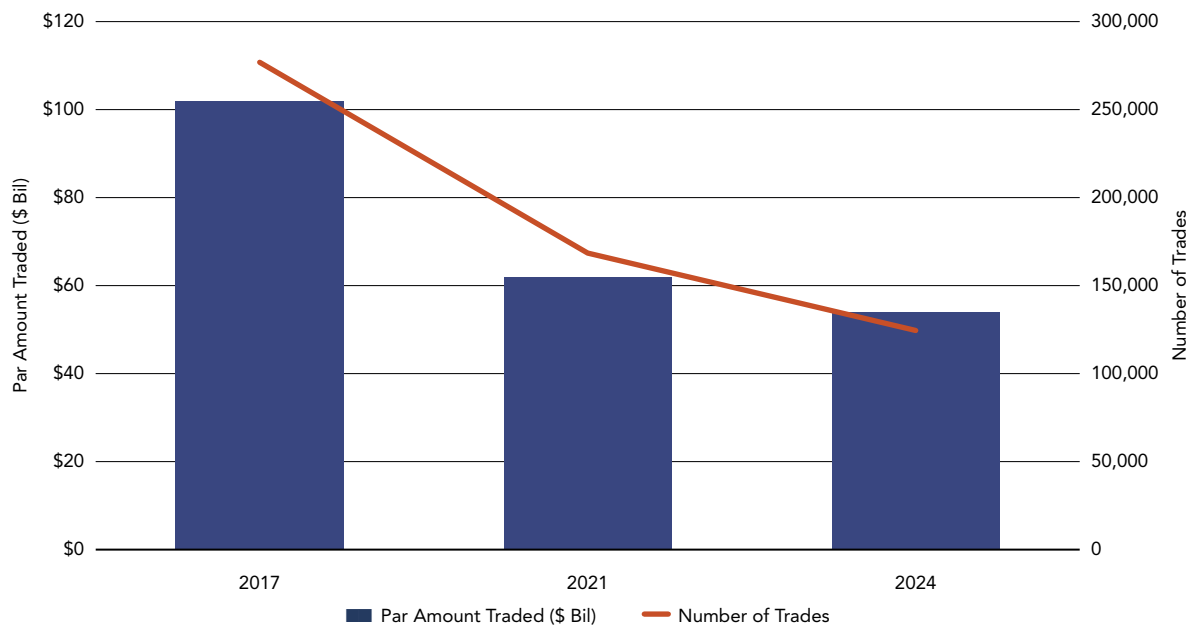
The dataset consists of trades reported to MSRB through RTRS, including approximately 6.8 million ATS trades and 570,000 trades with broker's brokers. We also examined 2.6 million customer trades executed by dealers affiliated with an ATS or a broker's brokers firm. List offering price and takedown transactions (LOP) were excluded, as well as variable rate demand obligations and commercial paper trades, which are primarily conducted by institutional investors and behave differently than fixed-rate municipal securities.

Broker's Brokers Findings

A broker's broker is a dealer or a separately operated and supervised division or unit of a dealer that principally effects transactions for other dealers or that holds itself out as a broker's broker. A broker's broker is engaged in the business of effecting transactions predominantly between dealers.

While a decline in broker's brokers activity is not surprising, our analysis reveals that the downturn was more pronounced than expected. Today, the broker's broker share of trade activity is half the size it was in 2017. As seen in Figure 1, from 2017 to 2024, trade count for broker's brokers declined by 55% and par amount declined by 47.1%. Between 2017 and 2021, broker's brokers' trade count declined by 39.2% and par amount dropped by 39.6%. Although trading by broker's brokers declined less between 2021 and 2024, trade count still fell by 26.1% and par amount traded fell by 12.4% during a period where interdealer activity nearly doubled.

Figure 1. Broker's Brokers Number of Trades and Par Amount Traded, 2017–2024



While par amount traded was dominated by trades over \$100,000, accounting for 95% or more of all broker's brokers trades for the three years of data analyzed, the number of trades was more balanced across different trade sizes. In 2024, trades of \$100,000 or less accounted for 45.9% of broker's broker trades while trades over \$100,000 accounted for 54.1%. As shown in Figure 2, those figures were not significantly different than in 2017 and 2021.

Most of each year's trade counts were composed of trades between \$100,000 and \$500,000, followed by trades of \$25,000 or less. In terms of overall par amount traded, trades exceeding \$100,000 accounted for 96.4% of the total yearly par amount in 2024, 94.8% in 2021, and 94.6% in 2017.

Figure 2. Broker's Brokers by Trade Size, 2017–2024

Par Range	2017		2021		2024	
	Par Amount	Trade Count	Par Amount	Trade Count	Par Amount	Trade Count
\$25,000 or less	1.0%	21.6%	1.2%	29.7%	0.6%	25.7%
\$25,000–\$50,00	1.4%	12.1%	1.3%	12.0%	0.9%	9.7%
\$50,000–\$100,000	3.1%	13.3%	2.7%	11.5%	2.1%	10.5%
\$100,000–\$500,000	26.0%	35.1%	22.3%	29.6%	21.0%	33.6%
\$500,000–\$999,999	12.6%	7.3%	11.8%	6.5%	11.2%	7.8%
\$1,000,000 or more	55.9%	10.6%	60.7%	10.7%	64.3%	12.7%
\$0–\$100,000	5.4%	47.0%	5.2%	53.2%	3.6%	45.9%
\$100,000 or more	94.6%	53.0%	94.8%	46.8%	96.4%	54.1%

In 2024, the average trade size for broker's broker firms was approximately \$433,000, with the average trade size executed by each individual firm ranging from over \$60,000 to over \$1.7 million. While four firms averaged over \$1 million per trade in 2024, these firms account for only a small portion of the total number of trades. The top three firms remained somewhat consistent throughout the years, although they increased their share of total trades from 57.7% in 2017 to 66.1% in 2024. This trend was also evident in total par amount traded among the top three firms, whose share surged from 55.5% to 71.8% over the same period.

The number of registered broker's brokers declined from 26 firms in 2017 to 16 in 2021 and 14 in 2024. As firm numbers declined, the market grew increasingly concentrated, with a smaller group of highly active firms capturing a growing share of trading activity, while smaller and less active firms continued to exit the market.

As the number of broker's broker trades continued to decrease, their share of trades in the interdealer market also experienced a substantial decline. Figures 3 and 4 show that in 2017, broker's brokers accounted for 7.4% of all interdealer trades and 21.8% of the par amount traded in the interdealer market. By the end of 2024, that figure had dropped to just 2.3% of interdealer trades and 10.8% of total interdealer par traded, despite interdealer trade count increasing 98.7% and par traded increasing 44.9% from 2021 to 2024. Although overall volume also dropped slightly for broker's brokers' customer trades, it did not represent a substantial portion of the business in the time measured.

Figure 3. Total Trades: Broker's Brokers Compared to Interdealer, 2017–2024

Trades	2017	2021	2024
Interdealer	3,720,567	2,705,659	5,375,085
Broker's Brokers	276,873	168,483	124,509
% Total	7.4%	6.2%	2.3%

Figure 4. Par Amount Traded (\$Millions): Broker's Brokers Compared to Interdealer, 2017–2024

	2017	2021	2024
Interdealer	\$468,542	\$344,847	\$499,754
Broker's Brokers	\$101,941	\$61,555	\$53,931
% Total	21.8%	17.9%	10.8%

Overall, the broker's broker market has undergone a dramatic change over the past several years, with fewer firms, declining trade volumes, and increasing consolidation among top players, leaving the market fundamentally different when compared to seven years ago.

Alternative Trading Systems Findings

An ATS is an entity that provides a platform for bringing together purchasers and sellers of securities or for otherwise performing functions commonly performed by an exchange. Participants are typically dealers or institutional investors that purchase securities or offer securities for sale by way of an offering or a bid-wanted procedure. The system operator must be registered with the Securities and Exchange Commission as an ATS and can operate the ATS as either a broker-dealer or a securities exchange. Currently, ATSs engaged in municipal securities activities do so as broker-dealers rather than as exchanges.

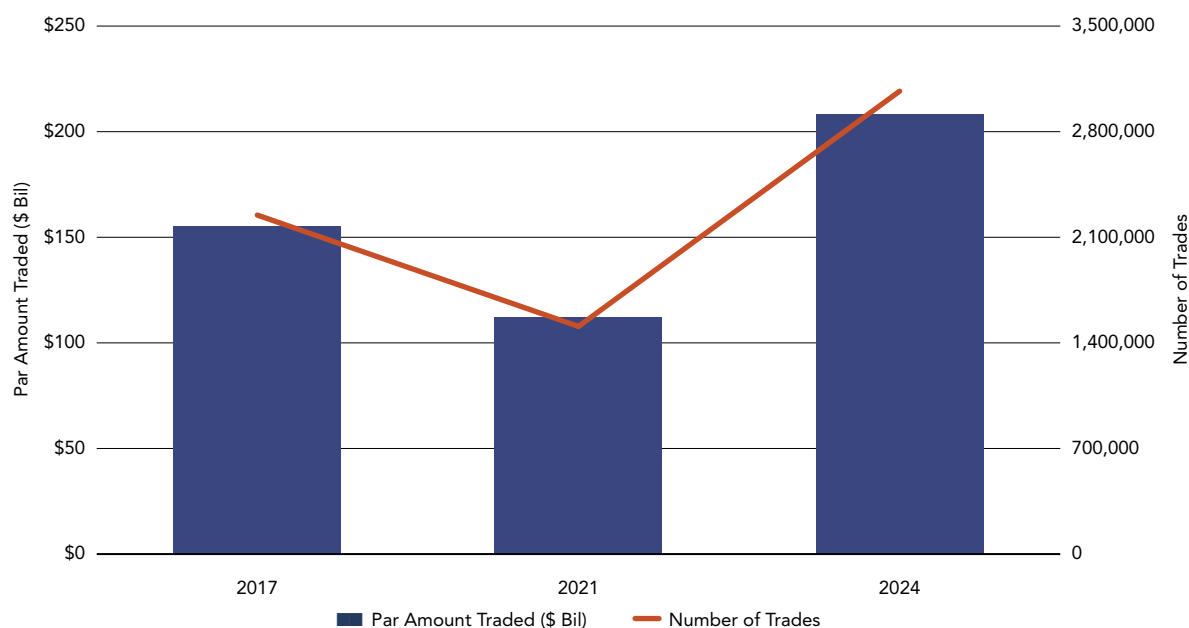
Although there are a few different business models for firms registered as an ATS, ATS trading activity in municipal bonds initially was associated with facilitating trades, especially trades of \$100,000 or less, between two dealers often to provide liquidity for individual investors. However, as shown in previous MSRB research findings, ATSs continue to be a substantial player in customer trades, with trades executed with dealers associated with ATSs accounting for over one in six customer trades but a much smaller percentage of the par amount traded with customers.³

³ See John Bagley, Marcelo Vieira, Simon Wu, "April 2025 Market Recap" Research Paper, Municipal Securities Rulemaking Board, May 2025.

Between 2017 and 2024, the number of ATS trades increased 36.6% compared to the interdealer municipal securities market's 44.5% growth. From 2017 to 2021, however, both ATS trades and the interdealer market experienced a substantial decline in the number of trades. The ATS market saw a 32.8% drop in trade count, exceeding the interdealer market's 27.3% decline. Similarly, while both markets experienced a reduction in total par amount traded, ATSs recorded a decrease of 27.7% compared to the interdealer market's 26.4% decline. Despite these declines, both markets rebounded strongly between 2021 and 2024. As stated in the previous Broker's Brokers section, the interdealer market saw a 44.9% increase in total par amount traded and a 98.7% rise in trade count during this period. The ATS market demonstrated an even stronger recovery, with total par amount traded surging by 86.1% and trade count by 103.3%.

Interdealer activity on ATS platforms has remained relatively stable. The share of interdealer trades executed through ATS platforms declined from 60.4% in 2017 to 55.8% in 2021 but rose slightly to 57.1% in 2024. In contrast, the par amount traded showed a notable upward trend, starting at 33.1% in 2017, declining slightly to 32.5% in 2021, and increasing to 41.7% by 2024. Despite the small average trade size of interdealer trades over ATSs, a significant percentage of the interdealer par amount traded occurs over ATSs.

Figure 5. ATS Number of Trades and Par Amount Traded, 2017–2024



Customer trades executed with a dealer associated with an ATS dramatically increased from 398,332 trades in 2017 to nearly 1.5 million trades in 2024.⁴ This growth raised the ATS share of total customer trades from 7.3% to 17.5% and of total customer par traded from 2.3% to 6.2%. Despite the market-wide decline in 2021, ATS customer trades were up 41.3% and par amount traded increased 20.0% compared to 2017. By 2024, the number of ATS customer trades increased

⁴ While ATS trades can only be interdealer transactions, the dealer associated with ATS can conduct trades with other customers.

immensely, up 162.3% from 2021 and 270.5% from 2017. ATS customer par amount traded followed a similar trend, increasing 184.3% between 2021 and 2024 and 241.3% between 2017 and 2024. In comparison, the broader customer market experienced more moderate growth, with trade count up 53.6% from 2017 to 2024, and par amount rising 27.4% during the same period.

Figure 6. Percentage of Customer Transactions Executed with a Dealer Associated with an ATSs Compared to All Customer trades, 2017–2024

	2017	2021	2024
Total Customer Trades	5,490,926	4,442,255	8,435,369
ATS Customer Trades	398,332	562,638	1,475,808
Percentage of Total	7.3%	12.7%	17.5%

Figure 7. Percentage of Customer Transactions Executed with a Dealer Associated with an ATSs Compared to All Customer Par Amount Traded (\$Millions), 2017–2024

	2017	2021	2024
Customer Par	\$987,701	\$871,688	\$1,257,974
ATS Firm Customer Par	\$22,788	\$27,351	\$77,768
Percentage	2.3%	3.1%	6.2%

The data underscores the evolving and increasingly prominent role of ATS platforms within the municipal securities market. Over the past several years, ATS firms have demonstrated resilience during periods of market stress and have also emerged as drivers of growth during recovery. Their expanding footprint in customer trading, combined with stable yet large interdealer participation, reflects broader shifts in market structure and trading behavior. These trends point to the continued integration of electronic trading platforms in the municipal securities market and the growing reliance on ATSs as a core component of this market.

Key Differences

As shown in Figures 8 and 9, ATSs and brokers' brokers differ significantly not only in their business models, but also in their respective market shares and recent trends. ATSs have a significantly higher number of trades than broker's brokers, with activity more than doubling between 2021 and 2024. In comparison, trade volume through broker's brokers has steadily declined over the same period. This difference is also reflected in the total par amount traded, where ATSs handled substantially more volume in each year shown compared to broker's brokers. From 2021 to 2024, the par amount traded over ATSs increased 86% while the par amount traded by broker's brokers declined 12%.

Figure 8. Broker's Brokers and ATS Total Trade and Par Amount, 2017–2024

Number of Trades				Par Traded (Millions)			
	2017	2021	2024		2017	2021	2024
Broker's Brokers	276,873	168,483	124,509	Broker's Brokers	\$101,941	\$61,555	\$53,931
ATS	2,246,988	1,509,236	3,068,719	ATS	\$155,016	\$112,065	\$208,492

Figure 9 demonstrates that ATSs continue to account for over half of all interdealer trades throughout the period, while the share of interdealer trades conducted through broker's brokers declined noticeably to 2.3% in 2024. Average trade sizes also show ATSs generally transact in a significantly smaller average size, while broker's broker trades were about six times larger on average. In line with this, 45.9% of broker's broker trades were \$100,000 or less, compared to 89.2% for ATS trades in 2024, further highlighting the concentration of each market in larger versus smaller trade sizes. As noted in previous MSRB findings,⁵ most electronic trades occur in smaller sizes. For market participants looking to move larger blocks, they may seek out the expertise that a brokers' broker can provide in identifying buyers or sellers and navigating less liquid parts of the market.

Figure 9. Broker's Brokers and ATS Market Share of Interdealer Trades and Average Trade Sizes, 2017–2024

Percentage of Interdealer Trades				Average Trade Size			
	2017	2021	2024		2017	2021	2024
Broker's Brokers	7.4%	6.2%	2.3%	Broker's Brokers	\$368,187	\$365,349	\$433,149
ATS	60.4%	55.8%	57.1%	ATS	\$68,988	\$74,253	\$67,941

⁵ See Simon Wu, "Characteristics of Municipal Securities Trading on Alternative Trading Systems and Broker's Broker Platforms" Research Paper, Municipal Securities Rulemaking Board, August 2021.

Conclusions

Since 2017, ATs have continued to be a significant presence in the interdealer market for municipal securities and in recent years, ATs have substantially grown their share of trades and par amount for customer trades. On the other hand, the broker's broker share of the interdealer market declined substantially in the same period, with the number of trades and the par amount traded decreasing by more than 50% since 2017. Trades with customers has never been a substantial business for broker's brokers. Although we have seen some broker's brokers dramatically increase their average trade size, the market share for broker's brokers trades and par amount traded has declined substantially.

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The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 with the mission to protect investors, issuers and the public interest and to promote efficiency, competition and capital formation. MSRB is a private, self-regulatory organization governed by an independent board of directors with market knowledge and expertise. MSRB does not receive federal appropriations and is funded primarily through fees paid by regulated entities. MSRB is overseen by Congress and the Securities and Exchange Commission.



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