



Municipal Securities Rulemaking Board

FEBRUARY 2026

Dealer Participation and Concentration in Municipal Securities Trading

Figure 4. Dealer Participation—Number of Dealers Participating in Customer Trades Based on Par Amount Traded

| Dealers with: | 2016 | | 2025 | |
|---|----------------|--------------------|----------------|--------------------|
| | Number Dealers | % of Total Dealers | Number Dealers | % of Total Dealers |
| \$1 Million Par or Less | 265 | 29.5% | 106 | 21.2% |
| More than \$1 Million to \$5 Million Par | 150 | 16.7% | 164 | 7.1% |
| More than \$5 Million to \$50 Million Par | 222 | 24.7% | 144 | 5.8% |
| More than \$50 Million to \$1 Billion Par | 177 | 19.7% | 48 | 3.9% |
| More than \$1 Billion to \$5 Billion Par | 49 | 5.5% | 39 | 7.1% |
| More than \$5 Billion Par | 35 | 3.9% | 38 | 4.7% |

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Summary¹

This report expands on a previous report published in 2019 by the Municipal Securities Rulemaking Board (MSRB) and analyzes trends in municipal securities dealer participation and concentration in the municipal market from 2016 through 2025. The report examines how dealer trading behavior has evolved by evaluating two key measures, dealer participation, defined as the number of MSRB-registered dealers executing customer trades, and dealer concentration, defined as the share of customer trading activity captured by the most active dealers. Both metrics provide complementary perspectives on liquidity and changing dealer activity in the municipal market. The analysis finds a continued decline in the total number of participating dealers, driven primarily by exits of firms with minimal trading activity. At the same time, par amount traded has become slightly less concentrated among the largest dealers in recent years, with concentration levels returning to levels slightly higher than those observed in 2016 after reaching a high point in 2020. Conversely, dealer concentration based on number of trades executed has experienced an opposite pattern, with levels steadily increasing since 2020, where trade concentration was at a low point. These patterns generally hold across smaller-sized trades, institutional-sized transactions, and variable-rate transactions, and coincide with other broader market developments, including higher dealer concentration in interdealer alternative trading systems (ATSs) and broker's brokers trades.

¹ The views expressed in 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.

Methodology

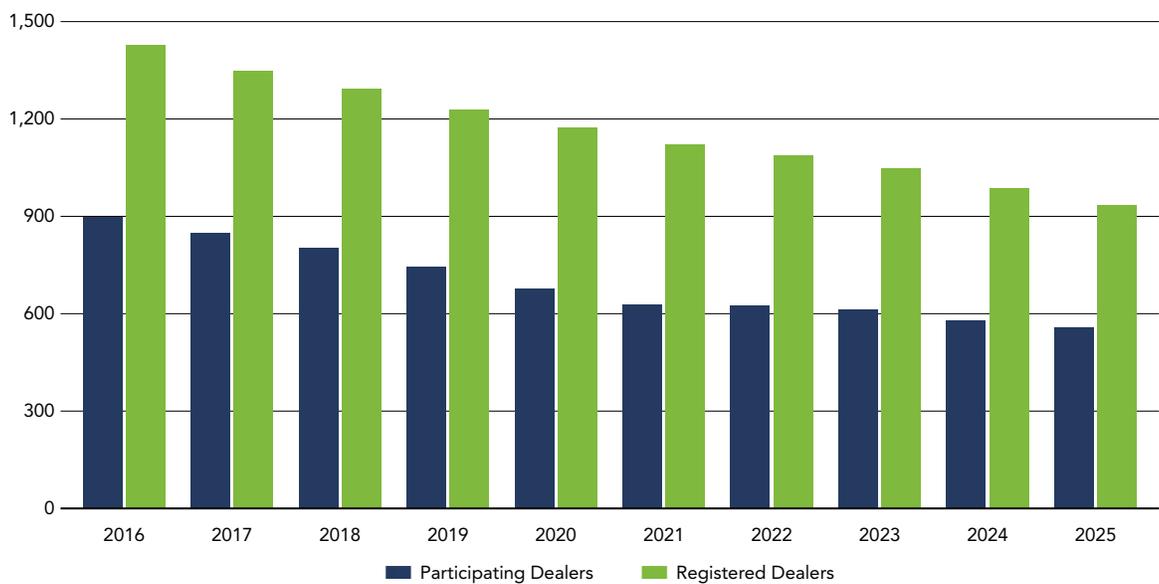
This report is based on transaction data between the calendar years of 2016 and 2025, consisting of approximately 62 million trades. Most of this report is focused on secondary market customer trades with fixed-rate and long-term transactions only, excluding interdealer transactions, and list offering price, short-term, and variable-rate securities. As a reference, trade patterns of variable-rate securities are also briefly discussed.

The data are organized by customer trade type, both purchases and sales, and by trade size, defined as trades of \$100,000 or less, trades exceeding \$100,000 but below \$1,000,000, and trades of \$1,000,000 or more. The analysis includes par amounts traded and trade counts for the specified timeframes, with emphasis on changes from 2016 to 2025. The year 2020 is also highlighted as it represents both the midpoint of the dataset and the point at which concentration reached its lowest level.

Dealer Participation

Over the years, several factors have affected the number of registered dealers, including consolidation of dealers and dealers exiting the municipal securities business. The number of registered dealers as of January 1, 2016, compared to the number of dealers as of December 31, 2025, decreased 34.4%. See Figure 1.

Figure 1. Number of Registered and Active Participating Dealers, 2016–2025



When analyzing the level of trading activity by municipal securities dealers, we also observe a steady decline in the number of active dealers over time. As shown in Figure 1, the total number of participating dealers, defined as a dealer executing one or more trades, fell from 898 in 2016 to 678 in 2020 and to 556 in 2025. However, most of the dealers exiting the market had very limited trading activity. As shown in Figure 2, 279 dealers participated in the market in 2016 but not in 2020, and out of these, 197, or 70.6%, executed 50 trades or fewer. A similar pattern appears in 2025. Of the 173 dealers active in 2020 but not in 2025, 106, or 61.3%, conducted 50 or fewer trades. Although many factors may influence a dealer’s decision to leave the market, the data indicates that most of the departing dealers had exceedingly low levels of municipal trading activity.

Figure 2. Changes in Dealer Participation

| | Participating Dealers in 2016 not Participating in 2020 | | Participating Dealers in 2020 not Participating in 2025 | |
|--|--|-------|--|-------|
| Total Number of Dealers | 279 | | 173 | |
| Number of Dealers with 10 Trades or Fewer | 123 | 44.1% | 65 | 37.6% |
| Number of Dealers with 20 Trades or Fewer | 155 | 55.6% | 79 | 45.7% |
| Number of Dealers with 50 Trades or Fewer | 197 | 70.6% | 106 | 61.3% |
| Number of Dealers with 1,000 Trades or Fewer | 257 | 92.1% | 152 | 87.9% |

Furthermore, the analysis shows that the number of dealers with 1,000 or fewer trades per year, equivalent to roughly 20 trades per week, declined to 67.1% of all dealers in 2025 from 76.1% in 2016. See Figure 3. Conversely, the number and share of dealers completing more than 1,000 trades annually has grown substantially, increasing from 23.9% in 2016 to 32.9% in 2025. Importantly, the number of dealers executing more than 25,000 trades went from 36 in 2016 to 43 in 2025, increasing from 4.0% of all dealers in 2016 to 7.7% in 2025.

As shown in Figure 4, a comparable pattern appears when assessing par amount traded. The share of dealers trading \$5 million or less, about \$100,000 per week, continues to decline, from 46.2% in 2016 to 41.7% in 2020 to 37.1% in 2025. Meanwhile, the number of dealers trading more than \$5 billion rose from 35 in 2016 to 39 in 2020 to 47 in 2025, increasing from 3.9% of all the dealers in 2016 to 5.8% in 2020 to 8.5% in 2025. Taken together, the data shows that although there are far fewer dealers participating in the municipal market, the total share of dealers with significant trading volume has increased greatly, both in terms of the number of trades executed and total par amount traded.

Figure 3. Dealer Participation—Number of Dealers Participating in Customer Trades Based on Number of Trades

| Dealers with: | 2016 | | 2020 | | 2025 | |
|------------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| | Number Dealers | % of Total Dealers | Number Dealers | % of Total Dealers | Number Dealers | % of Total Dealers |
| 1 to 10 Trades | 194 | 21.6% | 130 | 19.2% | 96 | 17.3% |
| 11 to 100 Trades | 249 | 27.7% | 186 | 27.4% | 130 | 23.4% |
| 101 to 1,000 Trades | 240 | 26.7% | 169 | 24.9% | 147 | 26.4% |
| 1,001 to 2,500 Trades | 75 | 8.4% | 62 | 9.1% | 42 | 7.6% |
| 2,501 to 25,000 Trades | 104 | 11.6% | 93 | 13.7% | 98 | 17.6% |
| 25,001 or more Trades | 36 | 4.0% | 38 | 5.6% | 43 | 7.7% |

Figure 4. Dealer Participation—Number of Dealers Participating in Customer Trades Based on Par Amount Traded

| Dealers with: | 2016 | | 2020 | | 2025 | |
|---|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| | Number Dealers | % of Total Dealers | Number Dealers | % of Total Dealers | Number Dealers | % of Total Dealers |
| \$1 Million Par or Less | 265 | 29.5% | 177 | 26.1% | 126 | 22.7% |
| More than \$1 Million to \$5 Million Par | 150 | 16.7% | 106 | 15.6% | 80 | 14.4% |
| More than \$5 Million to \$50 Million Par | 222 | 24.7% | 164 | 24.2% | 129 | 23.2% |
| More than \$50 Million to \$1 Billion Par | 177 | 19.7% | 144 | 21.2% | 136 | 24.5% |
| More than \$1 Billion to \$5 Billion Par | 49 | 5.5% | 48 | 7.1% | 38 | 6.8% |
| More than \$5 Billion Par | 35 | 3.9% | 39 | 5.8% | 47 | 8.5% |

Dealer Concentration

Dealer concentration for customer trades is an important metric in any market. If customer liquidity is heavily concentrated among a few dealers, any decrease to liquidity by one of those dealers could have a significant impact on the market. This is true if the change is short-lived or long term. On the other hand, if concentration is spread out across many dealers, any decrease in liquidity from a dealer is less likely to significantly impact customers.

Par Amount Traded

As seen in Figure 5, for par amount traded, dealer concentration, or the share of customer trading activity captured by the most active dealers, increased steadily from 2016 through 2020, then began dropping in 2021 and by 2025 was near levels observed in 2016. The top three dealers based on par amount concentration rose from 24.5% in 2016 to 28.7% in 2020 then dropped to 25.0% in 2025. This pattern is also apparent among the top five and top 10 dealers, which increased their share of par amount traded between 2016 and 2020 before experiencing declining shares in the years that followed.

Figure 5. Dealer Concentration—Percentage of All Customer Par Amount Traded Conducted by Top 50 Dealers

| Year | by Par Amount Traded | | | | |
|------|----------------------|-------|--------|--------|--------|
| | Top 3 | Top 5 | Top 10 | Top 20 | Top 50 |
| 2016 | 24.5% | 35.5% | 54.1% | 72.8% | 89.6% |
| 2020 | 28.7% | 41.0% | 57.4% | 73.7% | 90.7% |
| 2025 | 25.0% | 36.4% | 53.2% | 72.3% | 91.8% |

A more in-depth analysis of different trade sizes, seen in Figure 6, shows very different patterns. For block-sized trades, defined as trades of \$1 million or more, par amount traded concentration in 2025 is broadly similar to 2016 levels, though 2020 marked an overall increase in concentration. Among the top three and top five dealers, par concentration has increased significantly since 2016, while concentration among the top 10, 20, and 50 dealers has increased only slightly. For example, the top five dealers accounted for 48.3% of block-size par traded in 2016, increased to 52.3% in 2020 and dropped back to 47.7% in 2025. Block-size trades also had a much higher concentration than the other trade sizes, indicating fewer regular participants in larger trades.

For customer trades of \$100,000 or less, often defined as odd-lot trades, we saw a similar pattern to the previous section, with concentration declining from 2016 to 2020 only to rise through 2025. The top 10 dealers accounted for 53.9% of the par amount traded in 2016, dropped to 46.7% in 2020 and moved back up to 56.0% in 2025. Par amount concentration for trades of more than \$100,000 and less than \$1 million declined between 2016 and 2020 then rose through 2025. Across all dealer groupings, concentration grew more noticeably from 2016 to 2025, with 2025 levels exceeding those in 2016.

Also shown in Figure 6 is the percentage of total par amount by trade size. Within the block-sized segment, 2025 represented the lowest point in the share of total par traded. Only 58.4% of the par amount traded in 2025 occurred in block-size transactions, down from 72.6% in 2020 and 64.9% in 2016. This is consistent with previous MSRB research, which showed that trading activity in 2020 and 2021 was dominated by large institutional investors amid record low interest rates. However, recent record trade volumes appear to be driven by demand from individual investors, including through separately managed accounts (SMAs), which may help explain the significant increase in the percentage of par amount in smaller trade sizes. Note, the market has also seen an increase in demand from exchange traded funds (ETFs). Finally, while ATSs account for a larger share of total trades, they have also captured a significantly growing share of customer par volume. In 2025, 7.6% of the par amount of customer trades occurred on an ATS, up from 1.6% in 2016.

Figure 6. Dealer Concentration—Percentage of Par Amount Traded by the Top 50 Dealers by Trade Size, All Customer Trades

| | \$100,000 or Less (Odd-Lot Size) | | | Greater \$100,000– Less \$1 Million | | | \$1 Million or More (Block Size) | | |
|----------------------------------|-------------------------------------|---------|---------|--|---------|---------|-------------------------------------|---------|---------|
| | 2016 | 2020 | 2025 | 2016 | 2020 | 2025 | 2016 | 2020 | 2025 |
| Top 3 Dealers | 26.7% | 18.0% | 25.8% | 19.0% | 14.3% | 20.7% | 33.2% | 36.3% | 32.6% |
| Top 5 Dealers | 37.1% | 26.8% | 36.5% | 27.2% | 22.3% | 31.8% | 48.3% | 52.3% | 47.7% |
| Top 10 Dealers | 53.9% | 46.7% | 56.0% | 41.2% | 36.2% | 47.4% | 68.1% | 69.9% | 68.0% |
| Top 20 Dealers | 68.5% | 66.0% | 78.1% | 58.9% | 55.2% | 65.1% | 84.5% | 85.9% | 84.8% |
| Top 50 Dealers | 84.7% | 85.3% | 92.7% | 80.8% | 80.6% | 85.8% | 96.3% | 96.6% | 97.1% |
| Par Amount Traded (\$Bil) | \$143.0 | \$122.0 | \$255.5 | \$191.6 | \$191.4 | \$352.1 | \$620.1 | \$829.1 | \$854.0 |
| % of Total Par Amount | 15.0% | 10.7% | 17.5% | 20.1% | 16.8% | 24.1% | 64.9% | 72.6% | 58.4% |

Par amount concentration was also evaluated using the Herfindahl-Hirschman Index (HHI), a well-known and established measure of market concentration. The index measures the firm size in relation to the industry and, for the purpose of this report, the number of trades and par amount traded for each firm was used in the calculation. Results and patterns from the index calculations closely mirror our concentration ratio findings, with the 2025 HHI nearly identical to its 2016 level and an elevated concentration level in 2020. Together, these results suggest that the period of elevated concentration for par amount traded was temporary rather than reflective of a sustained structural shift in the market.

Citigroup Exits the Municipal Securities Market

In December 2023, Citigroup announced that they would be closing their municipal securities business in the first quarter of 2024. At the time, many market participants expressed some concern about the potential impact on liquidity from this departure. This section examines changes to dealer concentration since the departure of Citigroup.

In 2016 and 2020, Citigroup was one of the top dealers in terms of the par amount traded with customers. Although Citigroup was still a significant presence in 2023, their market share had declined by more than 50% from 2020. From 2023 to 2025, we did not see any of the top firms dramatically increasing their market share. In fact, two of the top three dealers in 2023 saw a slight decrease in market share by 2025. Our analysis and data indicate the possibility that Citigroup’s market share was absorbed by many dealers, including smaller firms, rather than being captured mainly by a few or the largest firms. Overall, since 2023, there has been a slight increase in dealer par concentration among most dealer groupings. For instance, in 2023, the top three and five firms accounted for 24.2% and 34.0% of all par respectively, while in 2025, concentration was up to 25.0% and 36.4%.

Number of Trades

Although most market participants think of concentration in terms of the par amount traded, concentration based on the number of trades is also relevant given the importance of individual investors to the municipal securities market.

Dealer trade concentration experienced an opposite pattern to par concentration, as concentration for the top three, five and 10 dealers declined significantly from 2016 to 2020 and rose back to roughly 2016 levels or higher (for the top 10) by 2025, as seen in Figure 7. The top three dealers accounted for 25.4% of all customer trades in 2016, decreasing to 16.8% in 2020 before increasing to 25.6% in 2025. The top 20 and 50 dealers saw little change from 2016 to 2020 but had a significant increase in concentration from 2020 to 2025. The top 20 and 50 dealers saw concentration reach 78.1% and 92.6%, respectively, in 2025 compared with 67.5% and 84.0% in 2016.

Figure 7. Dealer Concentration—Percentage of All Customer Trades Conducted by Top 50 Dealers

| Year | by Trade | | | | |
|------|----------|-------|--------|--------|--------|
| | Top 3 | Top 5 | Top 10 | Top 20 | Top 50 |
| 2016 | 25.4% | 36.6% | 52.9% | 67.5% | 84.0% |
| 2020 | 16.8% | 25.1% | 43.9% | 65.6% | 84.7% |
| 2025 | 25.6% | 36.2% | 56.3% | 78.1% | 92.6% |

ATs played a significant role in dealer concentration by trade count since they accounted for 21% of all customer trades in 2025, up from 4% in 2016. The amount of customer trading executed on an ATs has grown dramatically in the last 10 years. ATs do not hold positions, rather they aggregate liquidity from other dealers and institutional investors. When we remove ATs customer trades from the data set, we observe less concentration across all dealer groups. For example, the top three and five dealers excluding ATs accounted for 21.3% and 33.1% of all customer trades, respectively, compared to 25.6% and 36.2% with ATs included.

Previous MSRB research has repeatedly shown that odd-lot size transactions are the vast majority of the trades in the market and are highly correlated with benchmark tax-exempt yields. Odd-lot

trades as a percentage of all trades were 83.8% in 2016, 81.6% in 2020 and peaked at 85.5% in 2025 when rates were much higher than in 2020. Accordingly, the percentage of customer trades in blocks rose from 3.3% to 4.6% between 2016 and 2020 but declined to only 2.2% in 2025.

Figure 8. Dealer Concentration - Percentage of Trades Conducted by the Top 50 Dealers by Trade Size, All Customer Trades

| | \$100,000 or Less (Odd-Lot Size) | | | Greater \$100,000– Less \$1 Million | | | \$1 Million or More (Block Size) | | |
|-------------------------|-------------------------------------|-----------|-----------|--|---------|-----------|-------------------------------------|---------|---------|
| | 2016 | 2020 | 2025 | 2016 | 2020 | 2025 | 2016 | 2020 | 2025 |
| Top 3 Dealers | 28.1% | 18.7% | 26.9% | 19.9% | 14.4% | 21.4% | 24.9% | 25.7% | 28.0% |
| Top 5 Dealers | 39.8% | 27.6% | 38.1% | 28.8% | 21.9% | 34.2% | 35.5% | 38.2% | 41.8% |
| Top 10 Dealers | 56.5% | 48.2% | 58.8% | 43.2% | 36.5% | 49.5% | 55.0% | 56.9% | 58.8% |
| Top 20 Dealers | 70.7% | 70.2% | 80.7% | 59.6% | 55.1% | 68.1% | 75.7% | 77.1% | 77.5% |
| Top 50 Dealers | 86.1% | 88.1% | 94.3% | 80.3% | 80.2% | 86.4% | 93.3% | 93.6% | 95.3% |
| Number of Trades | 4,367,906 | 3,879,363 | 8,547,834 | 672,229 | 657,877 | 1,228,468 | 170,741 | 218,771 | 216,080 |
| % of Total Trade | 83.8% | 81.6% | 85.5% | 12.9% | 13.8% | 12.3% | 3.3% | 4.6% | 2.2% |

Applying the Herfindahl-Hirschman Index (HHI) to customer trade counts provides additional insight into trade concentration trends. The trade HHI declined through 2020, reflecting a period of broader dealer participation in trade execution, before increasing in subsequent years and ultimately exceeding its 2016 level by 2025. This reversal aligns with the concentration ratio findings and suggests a strengthening of concentration in trade execution relative to earlier years, consistent with the previously discussed increase in ATS activity in customer trading.

Variable Rate Securities

Although the report primarily examines secondary market fixed-rate securities, a brief analysis of variable-rate securities indicates that in general, dealer concentration declined to a low in 2020 and had increased only moderately by 2025. For par traded, the top three and five dealers held 44.6% and 58.4% in 2025, compared to 42.2% and 58.5% in 2020, remaining below the significantly higher 2016 levels of 67.9% and 73.7%. Trade concentration followed a comparable pattern, with the top three and five dealers representing 32.8% and 43.6% in 2025, up from 22.4% and 31.8% in 2020 but below 40.5% and 48.1% in 2016. While concentration has risen since the 2020 low, most dealer groupings remain far below their 2016 levels, with only the top 20 dealers exceeding prior concentration levels. Notably, the smaller dealer groupings exhibit substantially higher concentration levels for both par amount and trade count versus fixed-rate securities.

Conclusion

Previous MSRB reports have shown an overall decline in both dealer participation and concentration in the municipal securities market. We found that although the number of active dealers continues to decline, this contraction has been driven largely by the exit of low-activity firms rather than major liquidity providers. Meanwhile, the remaining dealers account for a larger share of overall market activity and have become much more active.

Dealer concentration by par amount traded remained relatively stable year to year, yet followed a trend over the period, increasing from 2016 to a peak in 2020, then declining through 2025, mostly back to levels seen in 2016. However, composition of trading activity has changed meaningfully. Block-size trades, while still the most concentrated segment, accounted for a smaller share of total par by 2025, as activity increasingly moved toward smaller trade sizes after 2020, when par amount traded was dominated by large institutional investors. Concentration growth since 2021 has been more pronounced in trades under \$1 million, potentially reflecting stronger participation from retail investors, SMAs, and ETFs, as well as the expanding role of ATs in capturing customer par value.

In contrast, dealer concentration based on number of trades showed an opposite pattern, as concentration decreased from 2016 to 2020 then rose from 2020 to 2025, especially among the largest dealer groupings and particularly in smaller trade sizes. Much of this increased concentration may again be due to the significantly larger presence of ATs in customer trading, especially in total transactions and odd-lot activity, reflecting the continued electronification of the municipal securities market.

ABOUT MSRB

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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