



## CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

Presents at

***THE BOND BUYER's 25<sup>th</sup> Annual California Public Finance Conference***

**14<sup>th</sup> Annual Pre-Conference**

**October 21, 2015**

**San Francisco Marriott Marquis**

**San Francisco, CA**

# **Electronic Trading: Market Efficiency and Why It Matters to Issuers**

The municipal securities market is far less regulated and transparent than other segments of the nation's capital markets. Trades occur in a decentralized, over the counter fashion to a much higher extent than in corporate securities markets. Industry regulators, including [the Securities and Exchange Commission](#), have expressed concern that structural deficiencies render the market inefficient and unfair to issuers as well as to investors. Furthermore, illiquid markets present unique challenges for establishing accurate bond pricing, in both the secondary and primary markets. This pre-conference program examines the opportunities for market participants to benefit from advances in technology and the market. In particular, this program examines the benefits derived from heightened information on pricing and transaction costs offered by electronic trading. It also considers the role of existing alternative trading systems (ATS) in operation today and the challenges they face in expanding transparency, efficiency, and fairness to the entire municipal market.

**8:00 AM      Registration**

**8:30 AM      Welcome and Introductions**

*Michael Ballinger, Publisher, Bond Buyer*

*Mark Campbell, Executive Director, CDIAC*

**8:40 AM      Opening Statements: Why Liquidity in the Municipal Market Will Soon Improve**

*Lawrence E. Harris Ph.D., Fred V. Keenan Chair in Finance, Marshall School of  
Business, University of Southern California, and Past Chief Economist 2002,  
Securities and Exchange Commission*

## SESSION ONE

### **9:10 AM      Examining Bond Trading Today: Addressing Transparency, Efficiency, and Fairness**

In early 2015, the SEC provided a statement on a number of municipal market factors that contribute to an illiquid, opaque, costly, and unfair market. By one estimate, issuers of municipal bonds must pay a premium of approximately 1.12 basis points to compensate investors for this liquidity risk. This raises concerns regarding a dealer's longstanding obligation to provide fair pricing. This background session will discuss how bonds are currently traded in the market and include a discussion of the emergence of new technology that addresses the three key objectives of transparency, efficiency, and fairness.

*Facilitator and Speaker: B.J (Johan) Rosenberg, Chairman and Founder, Blue Rose Capital Advisors*

*Benjamin E. Stern, Managing Director, Public Finance, Stifel, Nicolaus & Company, Inc.*

*Howard Salend, Senior Vice President, Municipal Bond Trading, Fidelity Capital Markets*

*Nick Goetze, Managing Director, Head of Fixed Income Services Group, Raymond James*

### **10:00 AM      Break**

## SESSION TWO

### **10:15 AM      The Potential Benefits of an Exchange Platform**

Analysts agree that transparent markets are desirable in leading to greater efficiency. This session will provide a theoretical discussion of how a bond exchange might enable a fully transparent, efficient, and fair market—one where the playing field is leveled. Speakers will discuss how an exchange might lessen fragmentation and pricing discrepancies in the municipal market and how it might provide the inventory and data to support secondary and primary market trading. Speakers will also address the factors constraining the creation of a bond exchange.

*Facilitator and Speaker: Ananth Madhavan, Ph.D., Managing Director, Global Head of Research, iShares by BlackRock*

*Pinky Kottoor, Director, Municipal Securities Capital Markets Division, Citi*

*Justin Marlowe Ph.D., Endowed Professor of Public Finance, Evans School of Public Policy and Governance, University of Washington*

## SESSION THREE

### **11:00 AM      Impediments to Advancements: Where Policy and Regulation Address the Challenges**

This session will address the policies, regulations, or market conditions that support or impede the advancement of electronic platforms in increasing liquidity, transparency, and fairness in the primary and secondary markets. Speakers will also consider the potential to trade bonds on a municipal exchange and factors that may currently limit the advancement of that market.

*Moderator: Dave Sanchez, Counsel, Sidley Austin LLP*

*Michael Decker, Managing Director, Securities Industry and Financial Markets Association*

*Thomas Doe, Chief Executive Officer and Founder, Municipal Market Analytics, Inc.*

*David Cohen, Senior Counsel, Municipal Markets, RBC Capital Markets*

**11:30 AM Luncheon for all attendees and speakers**

*Keynote Speaker: Honorable John Chiang, California State Treasurer*

**SESSION FOUR**

**12:30 PM Current Technological Advances in the Market: Alternative Trading Systems (ATS)**

This session will focus on how existing electronic exchange platforms improve transparency, market efficiency, and fairness. Speakers will address who benefits and how their platforms serve all market participants, including issuers.

*Facilitator: Mark Campbell, Executive Director, CDIAC*

*Raymond Johnson, Fixed Income Application Specialist, Bloomberg LP*

*Tom Meder, Senior Vice President, TMC Bonds LLC*

*Rob Novembre, Chief Executive Officer and President, Clarity BidRate Alternative Trading System*

*Clarke Roberts, Managing Partner and Founder, EAX Trading*

*Allen Williams, Executive Vice President and Managing Director, Global Debt Capital Markets, Ipreo*

**SESSION FIVE**

**1:50 PM Taking Leadership in The Bond Market: The Issuer's Role**

This session engages speakers in a discussion about what issuers can do to take advantage of new trading platforms to improve liquidity and price discovery and, thereby, lower the cost of borrowing. Speakers will discuss this role and what benefits may be derived from incremental improvements in disclosure and bond structures today.

*Moderator: Justin Marlowe Ph.D., Endowed Professor of Public Finance, Evans School of Public Policy and Governance, University of Washington*

*Kiran Jain, Chief Strategy Officer, Neighborly*

*Colin MacNaught, Former Assistant State Treasurer, Commonwealth of Massachusetts*

*Tim Schaefer, Deputy Treasurer, Public Finance, California State Treasurer's Office*

**2:30 PM Close of Pre-Conference**

*(Evaluation)*



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