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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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IOSCO/MR/19/2016

Madrid, 5 August 2016

IOSCO seeks public comment on its analysis of liquidity in corporate bond markets

The Board of the International Organization of Securities Commissions (IOSCO) is seeking public comment on its consultation report entitled *Examination of Liquidity of the Secondary Corporate Bond Markets*, which was published today. IOSCO undertook this work in response to the concerns of some market participants about liquidity in this important sector.

As described in the consultation report, IOSCO did not find substantial evidence showing that liquidity in secondary corporate bond markets has deteriorated markedly from historic norms for non-crisis periods. IOSCO also notes in the report that there is no reliable evidence that regulatory reforms have caused a substantial decline in market liquidity, although regulators continue to monitor closely the impact of regulatory reforms.

Furthermore, IOSCO's study revealed meaningful changes to the characteristics and structure of secondary corporate bond markets, including changing dealer inventory levels, increased use of technology and electronic trading venues, and changes in the role of participants and execution models (i.e., dealers shifting from a principal model to an agency model).

The conclusions in the consultation report are based on a detailed analysis of liquidity metrics, survey results from industry and regulators, roundtables with industry, and a review of academic, government and other research articles. The analysis of this information allowed IOSCO to develop an informed picture of current secondary bond market liquidity, although the analysis of the data collected by member jurisdictions was challenging because of differences in data collection methods, scope, quality

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and consistency. Because of these challenges, IOSCO expects to undertake in the coming months a study of data reporting and public disclosure requirements regarding the corporate bond markets.

IOSCO encourages the public to comment on the analysis, data and conclusions in this consultation report. It also requests that market participants provide data relating to liquidity in the secondary corporate bond markets that could assist IOSCO in refining its analysis further.

Comments on the report should be submitted on or before 30 September

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Malaysia, Mexico, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, the Netherlands, Turkey, the United Kingdom, and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 10 of the G20 members. Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

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- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

MEDIA ENQUIRIES

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