

# MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/10/2022

Madrid, 06 April 2022

## **IOSCO seeks feedback on market liquidity issues affecting corporate bond markets under stress and good practices concerning ETFs.**

### ***Corporate bond markets***

The Board of the International Organization of Securities Commissions (IOSCO) is publishing its report on [\*corporate bond markets – drivers of liquidity during COVID-19 induced market stresses\*](#) and invites stakeholder feedback on the analysis. Feedback will inform IOSCO's ongoing review of the sector and future consideration on ways to improve market functioning and the resilience of liquidity supply under stress.

The corporate bond analysis provides the broader context on the underlying markets that buy-side investors such as ETFs and traditional open-ended funds increasingly invest in. These markets have grown exponentially since the Global Financial Crisis. The COVID-19 induced market stress highlighted the potential systemic significance of disorderly corporate bond trading and liquidity dysfunction. While market dynamics are evolving with new entrants such as ETFs and increased electronification, secondary corporate bond trading remains mostly reliant on a small network of OTC dealers in markets that remain fairly illiquid. The March 2020 events raised questions about market-functioning and whether improvements could be made to bolster liquidity and alleviate supply side constraints in stress.

### ***Exchange traded funds***

IOSCO is today also consulting on [\*good practices\*](#) for IOSCO members, asset managers, and trading venues to consider in the operation and trading of Exchange Traded Funds (ETFs) and to supplement IOSCO's 2013 [\*Principles for the Regulation of Exchange Traded Funds\*](#).

For ETFs, the 11 proposed good practices address product structuring (including means of facilitating effective arbitrage and range of assets and strategies for ETF offerings), disclosure, liquidity provision and volatility control mechanisms. They respond to significant recent global ETF market growth, and the increasing number of new products with exposures to novel and less liquid asset classes and more complex investment strategies.

March 2020 also raised challenges for ETFs with some fixed income ETFs experiencing temporary spikes in premia or discounts and widened spreads compared to ETFs with more liquid underlying assets.<sup>1</sup> The good practices offer detailed guidance on how best to facilitate effective arbitrage and market-making for ETFs that reference fixed-income assets.

Ashley Alder, IOSCO Chair and Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong encouraged stakeholders to input into both processes: *“Orderly corporate bond market functioning is critical to the needs of the real economy, and underpins many of the products that open-end funds (including ETFs) invest in. ETFs are an increasingly popular product and IOSCO’s good practices will help these products continue to function well and support the needs of investors. I encourage stakeholders to provide feedback on both publications.”*

Carmine Di Noia, Director, OECD Directorate for Financial and Enterprise Affairs noted that *“thanks to the rapid response of regulators and central banks, primary corporate bond markets remained open during the COVID-19 crisis raising a record USD 3 trillion in 2020 alone. However, corporate debt levels now raise concerns as to the extent to which credit quality deterioration could affect the recovery. IOSCO’s report provides valuable lessons on ensuring vibrant capital markets continue to support corporate sector resilience. The OECD looks forward to working with IOSCO on this important endeavour.”*

## **How to respond**

Responses to the discussion questions within the report *Corporate Bond Markets – Drivers of Liquidity During COVID-19 Induced Market Stresses* should be sent to [CBML-feedback@iosco.org](mailto:CBML-feedback@iosco.org) before Friday, 8 July 2022. In addition, IOSCO together with the OECD, will host a conference in the summer to gather additional perspectives on these markets.

IOSCO invites feedback on the ETF Consultation on or before Friday, 8 July 2022. Comments should be sent to [IOSCO-ETF-consultation@iosco.org](mailto:IOSCO-ETF-consultation@iosco.org). Respondents are also encouraged to provide feedback on the latest market events that have impact on ETFs to assist IOSCO in reflecting relevant good practices in the final report.

## **NOTES TO THE EDITORS**

### **Notes to the Editor:**

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organisation's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany,

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<sup>1</sup> IOSCO published an [examination of ETF behaviours during COVID-19 induced market stresses](#).

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Hong Kong, India, Ireland, Italy, Japan, Kenya, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including ten of the G20 members. Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt is 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, amongst 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 internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
  - 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 to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## MEDIA ENQUIRIES

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