

MEDIA RELEASE



International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

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IOSCO issues Feedback Statement on drivers of liquidity in corporate bond markets during COVID-19 induced market stresses

IOSCO today published a feedback statement summarizing the responses to its [April 2022 Discussion Paper](#) on *‘Corporate Bond Markets – Drivers of Liquidity during COVID-19 Induced Market Stresses’* (“Feedback Statement”).

The [Feedback Statement](#) has been issued alongside [IOSCO’s thematic review of the implementation of its 2018 recommendations for liquidity risk management in collective investment schemes](#).

The Feedback Statement summarizes stakeholder views on possible ways to help improve market functioning and liquidity provision in corporate bond markets. This includes assessing the feasibility, benefits, and costs of mitigating sudden shifts in liquidity demand and alleviating supply side market constraints, particularly in stress.

The Feedback Statement also considers the outcomes from the joint IOSCO and OECD Conference on Corporate Bond Markets held in June 2022.

The feedback received from stakeholders is broadly consistent with the outcomes and observations contained within the Discussion Paper. The responses are generally supportive of continuing work towards facilitating increased liquidity provision in corporate bond markets. However, there is acknowledgement that there is no “silver

bullet” solution. This reflects the fact that corporate bonds are traded infrequently, even in normal times, when compared to other large developed markets such as equities.

The balance of evidence presented in the Discussion Paper, as well as the feedback received, nonetheless suggests there is potential scope to improve liquidity supply and market functioning.

IOSCO recognizes the importance of promoting corporate bond market liquidity, consistent with its mandate to support sound global capital markets, while recognizing that bond markets have certain inherent features that may make liquidity supply fragile in periods of stress.

The key findings from the Discussion Paper and the feedback received 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. IOSCO will consider scoping further work on improving liquidity supply in IOSCO’s forthcoming 2023-2024 workplan, including coordination with other international organizations, as appropriate.

Mr. Jean-Paul Servais, Chair of the IOSCO Board said: *“IOSCO continues to support global efforts coordinated by the FSB to improve the resilience of non-bank financial intermediation. The significant growth of credit intermediation outside the banking sector underscores the critical importance of market infrastructure functioning and the resilience of market liquidity – both on the demand and the supply side – to the financial system’s capacity to absorb systemic shocks. The focus of international policy has, so far, mostly been on dampening liquidity demand in stress. It is also critical for the international regulatory community to work together to consider means to improve liquidity provision and market functioning, particularly in stress.”*

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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 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 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, the Netherlands, Oman, Ontario, Peru, Quebec, 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 10 of the G20 members. Dr Mohamed Farid Saleh, 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.

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