

MEMO# 30255

September 21, 2016

Draft ICI Global Comment Letter on IOSCO Consultation Report Examining Liquidity of the Secondary Corporate Bond Markets; Member Comments Requested by September 26

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 34-16
FIXED-INCOME ADVISORY COMMITTEE No. 29-16
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 41-16
INTERNATIONAL COMMITTEE No. 49-16
SECURITIES OPERATIONS ADVISORY COMMITTEE RE: DRAFT ICI GLOBAL COMMENT LETTER ON IOSCO CONSULTATION REPORT EXAMINING LIQUIDITY OF THE SECONDARY CORPORATE BOND MARKETS; MEMBER COMMENTS REQUESTED BY SEPTEMBER 26

As previously reported, the Board of the International Organization of Securities Commissions ("IOSCO") has published a consultation report on the liquidity of the secondary corporate bond markets.^[1] IOSCO found meaningful changes to the characteristics and structure of the secondary corporate bond markets, but it did not find substantial evidence of material deterioration of liquidity in those markets. After examining a number of different metrics, IOSCO found mixed evidence of changes in liquidity. IOSCO also did not find reliable evidence that regulatory reforms have caused a substantial decline in the liquidity of the markets.

ICI Global's draft comment letter on the Consultation Report is attached for your review. If you have any comments on the draft letter, please send them to George Gilbert at george.gilbert@ici.org **by close of business on September 26.**

Our draft letter commends IOSCO for conducting an analysis of liquidity in the secondary markets for corporate bonds. We explain that the corporate bond markets are undergoing significant structural transformations caused in part by regulatory reform in the aftermath of the financial crisis as well as by changing economics. The draft letter encourages IOSCO to continue studying the corporate bond markets as they continue to evolve and as new and more data become available outside the United States.

Part I of the draft letter discusses the recent significant structural changes to the US corporate bond markets. Part II describes ICI research that is consistent with IOSCO's analysis that the liquidity of the US corporate bond markets has not deteriorated materially. In Part III, we present data on the nature and extent of funds' participation in the US corporate bond market. Part IV supports regulators obtaining accurate, comprehensive, and usable data about the corporate bond markets.

Jennifer S. Choi
Associate General Counsel

George M. Gilbert
Counsel

[Attachment](#)

endnotes

[1] See ICI Memorandum No. 30138 (Aug. 17, 2016), *available at* <https://www.iciglobal.org/iciglobal/pubs/memos/memo30138>; see also IOSCO, *Examination of Liquidity of the Secondary Corporate Bond Markets*, Consultation Report, (August 2016), *available at* <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD537.pdf> ("Consultation Report").

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