

MEMO# 34214

July 11, 2022

ICI submits comment letter on IOSCO's discussion paper on corporate bond markets

[34214]

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TO: ICI Members
Investment Company Directors
ICI Global Members
SUBJECTS: Compliance
Financial Stability
Fixed Income Securities
International/Global
Investment Advisers
Portfolio Oversight
Risk Oversight

Trading and Markets RE: ICI submits comment letter on IOSCO's discussion paper on corporate bond markets

In April, the International Organization of Securities Commissions (IOSCO) issued a discussion paper on the corporate bond markets, focusing on their experiences during the COVID-19 induced market stress of March 2020.[\[1\]](#) This IOSCO paper summarizes the results of its market analysis during that time and solicits feedback from stakeholders.

Today ICI filed a comment letter in response, which is linked below. In it, we share our recent research on US bond mutual funds' behavior—particularly with respect to purchases and sales of investment grade corporate bonds—in March 2020. According to ICI's survey, US bond mutual funds sold only \$11 billion, net, of US investment grade corporate bonds in the first three weeks of March 2020. Further, we estimate that these sales were associated with only a tiny fraction of the sharp increase in yield spreads on those bonds that month.

We also offer general and specific comments on corporate bond markets. We emphasize that securities regulators should seek to improve—and at a minimum, not impair—the ability of market participants to trade corporate bonds. We cite, as a problematic example to the contrary, the decision of the US Securities and Exchange Commission to significantly restrict the ability of affiliated US registered funds to "cross trade" fixed-income securities with one another, notwithstanding the varied and substantial benefits that this activity provides to both funds (e.g., reduced transaction costs and improved portfolio management efficiency) and corporate bond markets generally (e.g., reduced demand on capacity-

constrained dealers).

Matthew Thornton
Associate General Counsel

endnotes

[1] Corporate Bond Markets - Drivers of Liquidity During COVID-19 Induced Market Stresses, IOSCO Discussion Paper (April 2022), available at www.iosco.org/library/pubdocs/pdf/IOSCOPD700.pdf. For a summary of the discussion paper, see ICI Memorandum to Members No. 34127, dated May 4, 2022.

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