



Government Bond Market Transparency

25 April 2017

Current state of mandatory post-trade transparency

- ❖ Post-trade transparency ([prices of completed transactions](#))
- ❖ Canadian Securities Administrators (CSA) transparency requirements
 - To “...facilitate more informed decision-making among all market participants...”
 - Currently apply to corporate bonds, equities
- ❖ Currently, there is an exemption to mandatory **post-trade** transparency for government bonds
- ❖ Exemption set to expire Jan 2018 and the CSA is considering government post-trade transparency requirements
- ❖ A working group of CSA, Bank of Canada and Department of Finance will examine possible requirements

There are two sides to post-trade transparency

❖ Can improve price discovery

- Investors can learn about current market valuations
- Investors can measure and negotiate transaction costs
- Can increase participation and trading activity

❖ Can negatively impact market liquidity

- Dealers' trading practices may be vulnerable if trade information is released too quickly

Internationally, regulations are varied and are evolving



Europe: Markets in Financial Instruments Directive II (MiFID II)

- Once implemented, Government bond trades published within 15 minutes with caps, depending on liquidity



Review of US Treasury Market Structure

- US Treasury recently committed to post-trade transparency for government bonds, properly calibrated
- Corporate bonds subject to strong requirements

- ❖ Some countries already mandate transparency for government bonds
 - Singapore, Malaysia, Philippines, South Korea, Thailand, Mexico
- ❖ Some developed economies do not
 - Japan, Australia, **Canada**, etc.

Current, market-provided, post-trade transparency in Canada

- ❖ **Most comprehensive data:** TMX Fixed Income Pricing Service (FIPS)
 - Data on most fixed-income trades in Canada
 - Fee-based but recently became available on Bloomberg
 - Censors: delay of one day, volumes capped at \$2M
 - 14 day delay for infrequently traded bonds
- ❖ **Most timely data:** CanPX
 - Real-time data (from inter-dealer brokers) on trades between dealers, not between dealers and investors
 - Caps on volume to be implemented
- ❖ **Regulatory (non-public) transparency:**
 - IIROC collects all trading data on government bonds from dealers, some banks

Possible discussion points for June CFIF meeting

- ❖ What would be most helpful for investors, including small/retail investors, to gain better access to market valuations if transparency is introduced?
 - Currently, comprehensive transaction data inaccessible to small (and other) investors
- ❖ What form of post-trade transparency (to public) is optimal?
 - Are delays needed? On what basis?
 - Are caps needed? On what basis?