



# Government Bond Market Transparency

25 April 2017

# Current state of mandatory post-trade transparency

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- ❖ 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

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## ❖ 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

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## 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

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- ❖ **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

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- ❖ 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?