4 June 2010

Summary of Responses to the ICMA Survey on Corporate Bond Markets – Liquidity and Transparency

Introduction

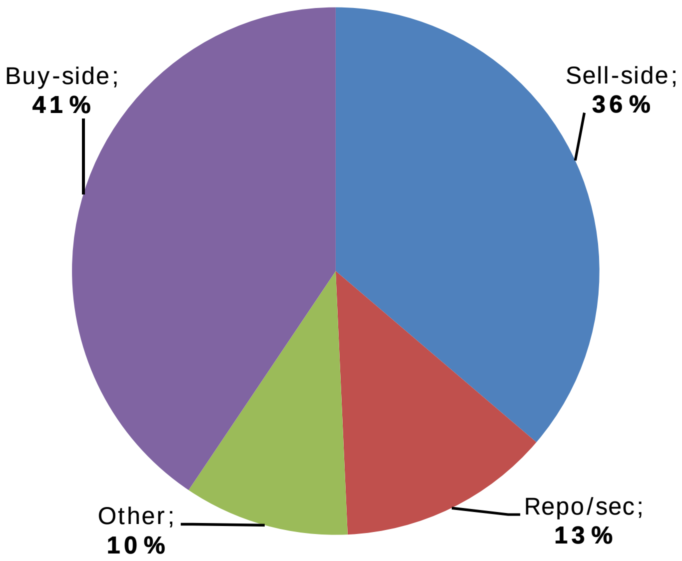
For over 40 years, ICMA has facilitated interaction between market participants for the benefit of an efficient and well-functioning international securities market. ICMA's objectives are the promotion of "best practices" and standards, contributing to education, helping supervisory authorities and furthering links between members.

As part of the MiFID review, the Commission will re-examine trade transparency of corporate bond markets. The Commission's work will, to some degree, follow on from the work conducted by CESR on non-equities markets transparency. Since the first CESR Consultation in December 2008 ICMA has taken the view that the CESR's analysis appears to be incompletely developed. Going forward, we understand that the Commission is concerned that they have insufficient information about buy-side concerns, especially from mid-size and smaller buy-side firms. ICMA has had some discussions with buy-side firms that have made clear that the issue that is of most concern is valuation. Accordingly, ICMA felt it was important to explore these areas more fully with its membership so that it can put a more complete picture of our Members views before the Commission in a transparent way. If ICMA does not, its members might risk legislation that is calibrated in a way that few in the industry would welcome or that would be of limited benefit to those segments of the industry it is designed to assist.

Accordingly, ICMA launched an online survey on liquidity and trade transparency on 6 April 2010. A link to the survey of 24 questions was sent electronically to all ICMA members. Non-members were also able to complete the survey through a link posted on the ICMA website. The survey related solely to the European corporate bond market (both senior debt and subordinated debt). The questions did not ask about ABS, covered bonds, CDOs, CDS or other securitized instruments.

99 responses were received by the closing date of 8 May 2010. For data analysis, only responses that answered the majority of the 24 questions were accepted. Accordingly, the following analysis is based on 69 responses. However, not all respondents answered every question and therefore, the number of answers for each question varies.

1. What is your role in the market?



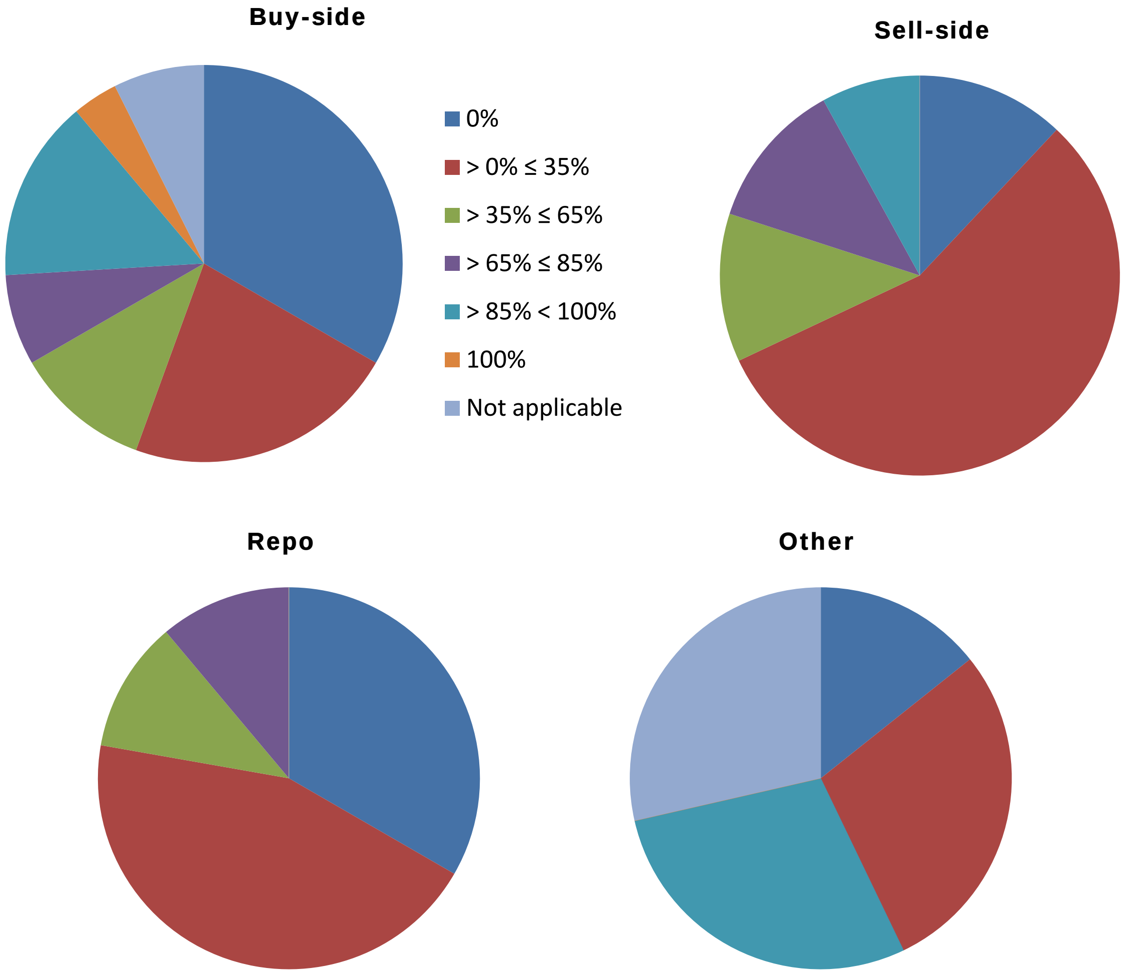
Buy-side respondents account for 41% of all respondents, which equates to 28 respondents, sell-side respondents were 25 (36%), repo 9 (13%) and other 7 (10%). "Other" included industry association, issuer, intermediary, bond syndicate and exchanges.

When reading and interpreting the graphic presentation of the responses, it is important to keep in mind that the categories "repo" and "other" are based on relatively small sample sizes.

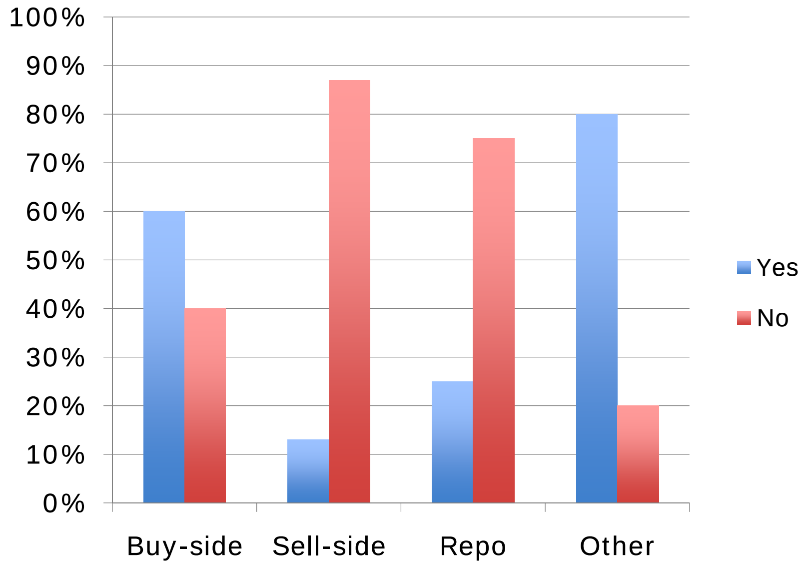
2. What is the name of your firm?

Respondents to the survey are based in 16 European countries including Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Norway, Spain, Sweden, Switzerland, The Netherlands and United Kingdom. Additionally, there were respondents based in Australia, Brazil, the United Arab Emirates and the United States.

3. What percentage of your corporate bond business, by value, is with retail clients (as defined by MiFID)?



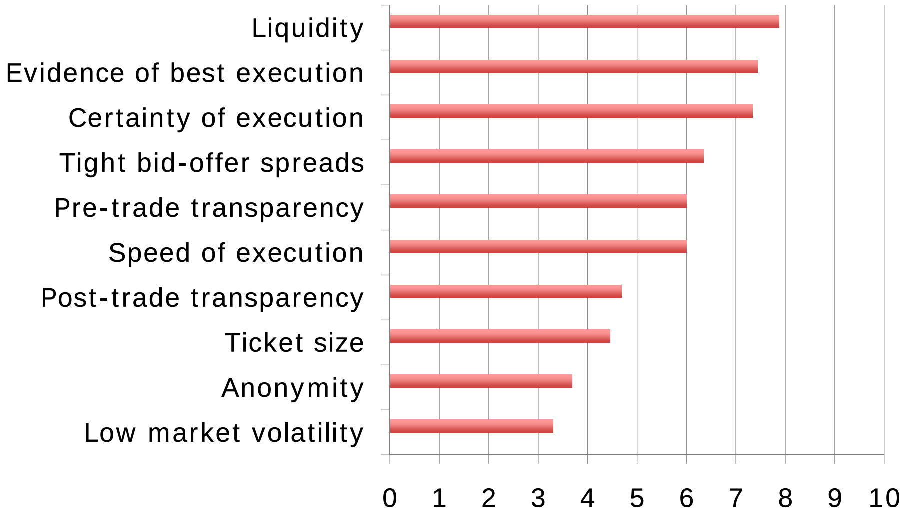
4. Do you have concerns about the ability of market participants to execute trades in corporate bonds?



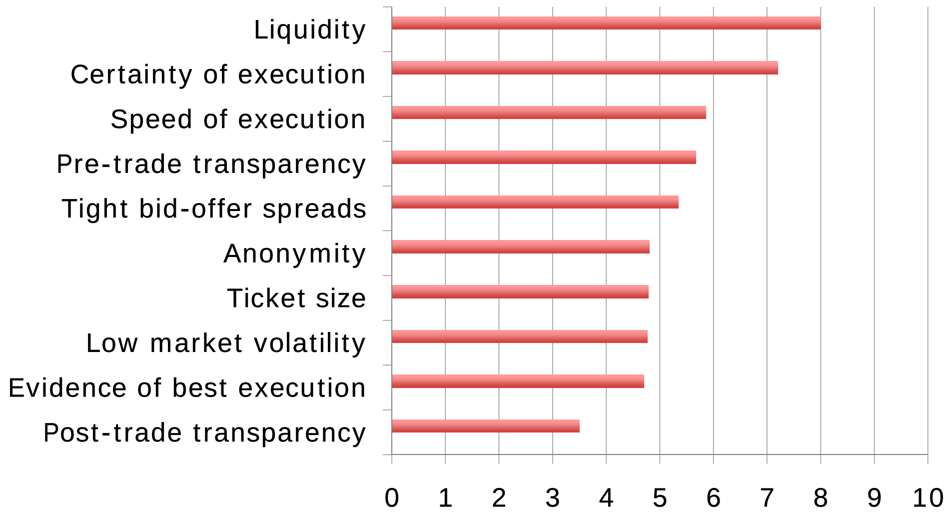
5. <u>What are your most important considerations when you are trading (please rank in order of importance)?</u>

Buy-side

Respondents were asked to rank all ten considerations from 1 to 10 with 1 being the least and 10 being the most important item. The graph displays aggregate results.



Sell-side



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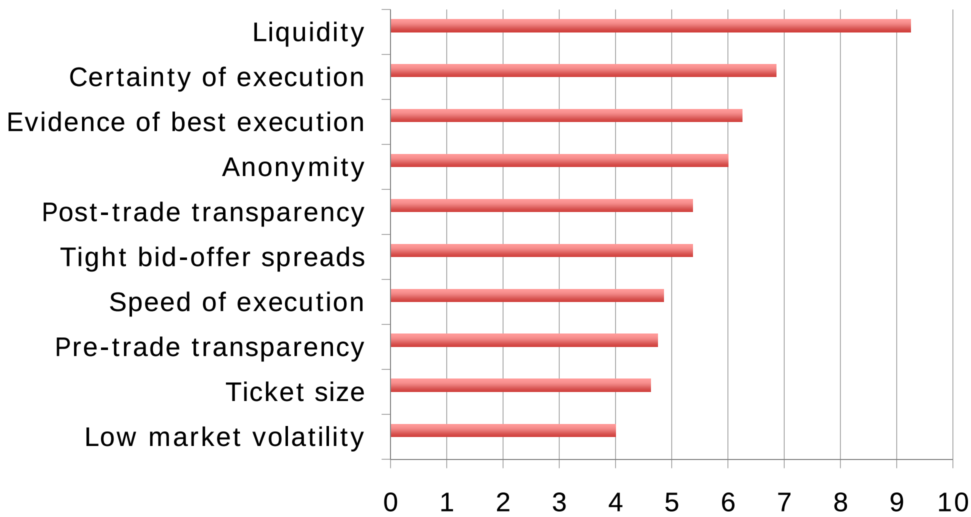

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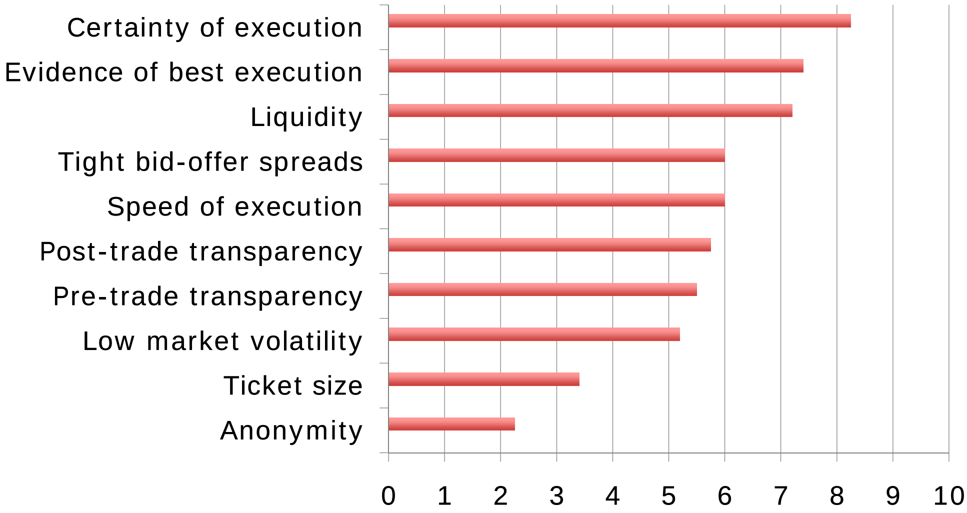
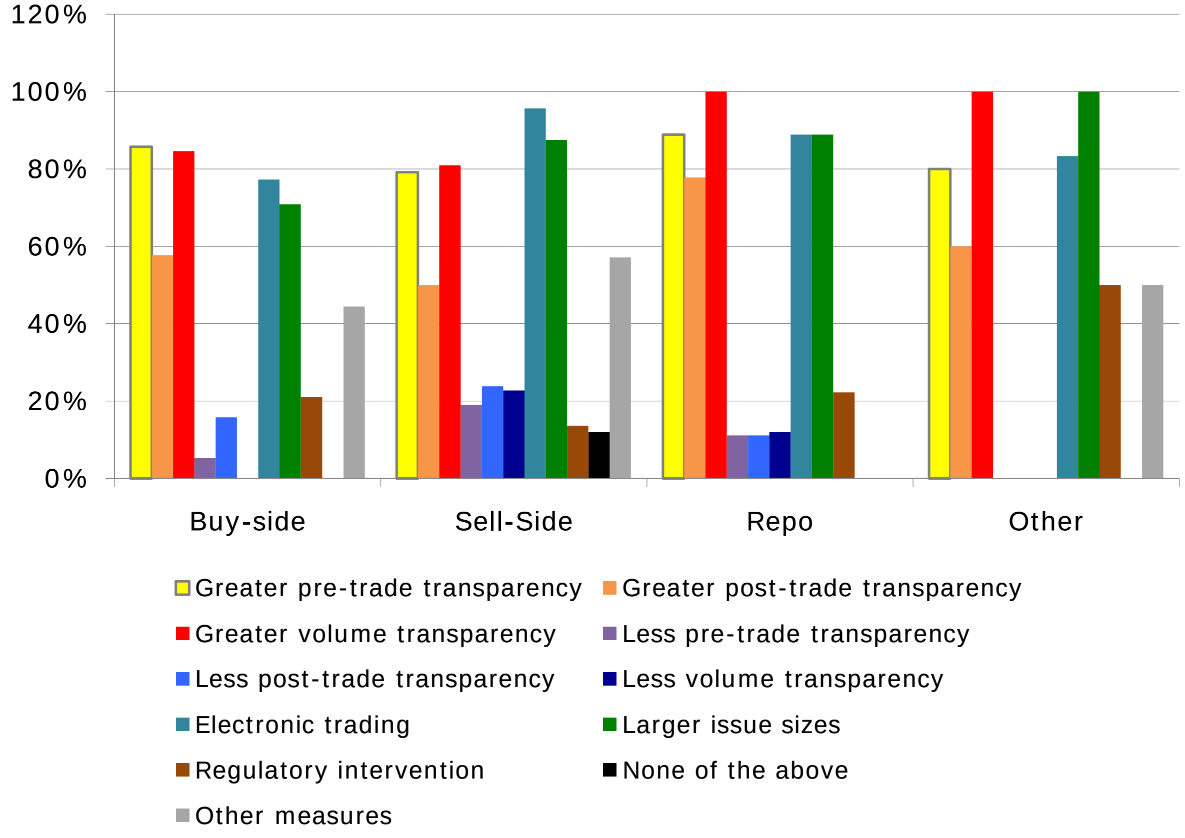


Question 5: Comparison of Rankings

Ranking	**Buy-side**	**Sell-side**	**Repo**	**Other**
Liquidity	**1**	**1**	**1**	**3**
Certainty of execution	**3**	**2**	**2**	**1**
Evidence of best execution	**2**	9	**3**	**2**
Speed of execution	6	**3**	7	5
Tight bid-offer spreads	4	5	6	4
Pre-trade transparency	5	4	8	7
Post-trade transparency	7	10	5	6
Ticket size	8	7	9	9
Anonymity	9	6	4	10
Low market volatility	10	8	10	8

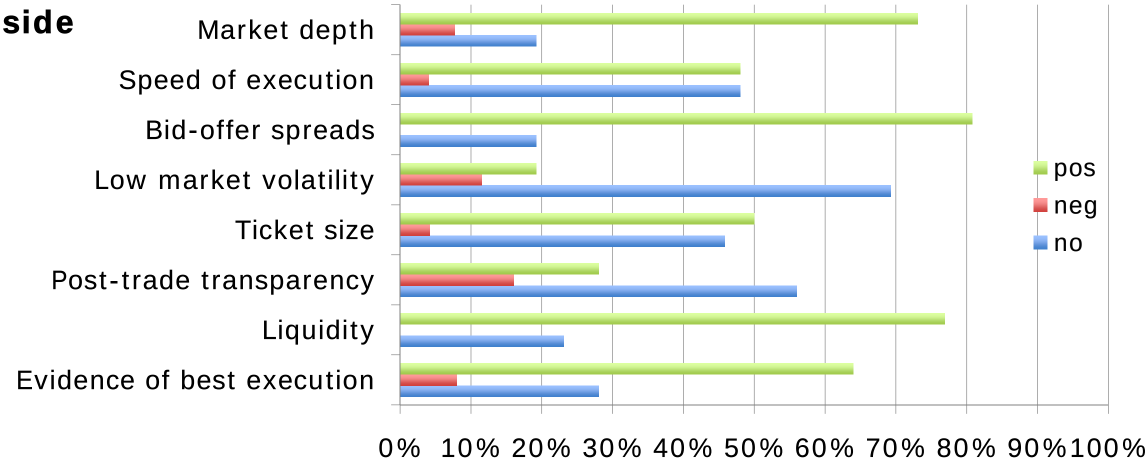
6. What measures could improve liquidity in the corporate bond market



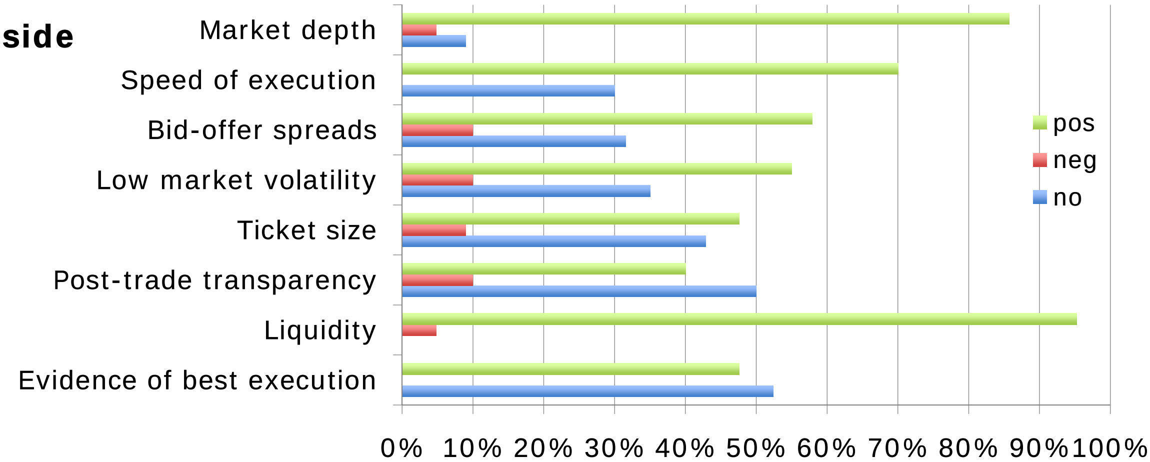
Answers display percentage of respondents who responded with “yes” on each item.

7. Would greater pre-trade transparency have a positive, negative or no impact on the following?

Buy-side



Sell-side



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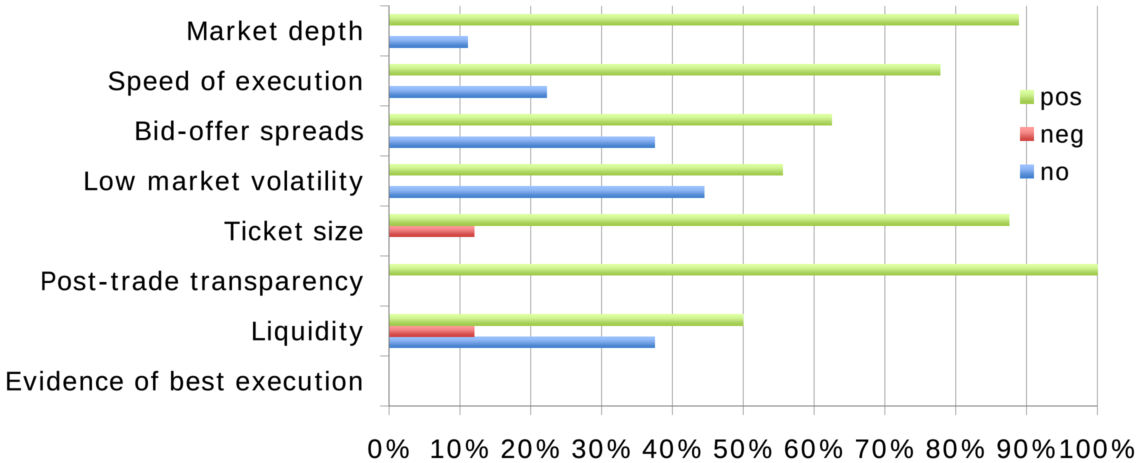

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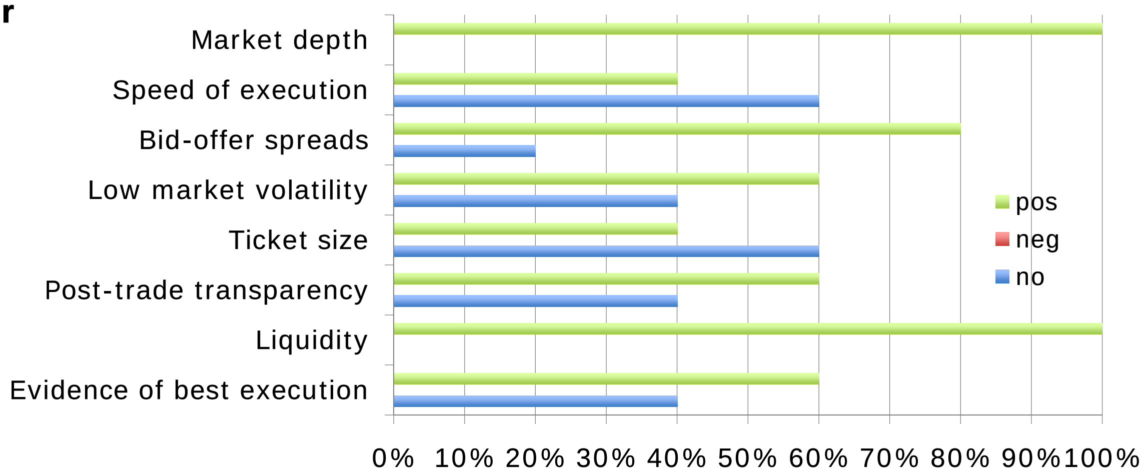
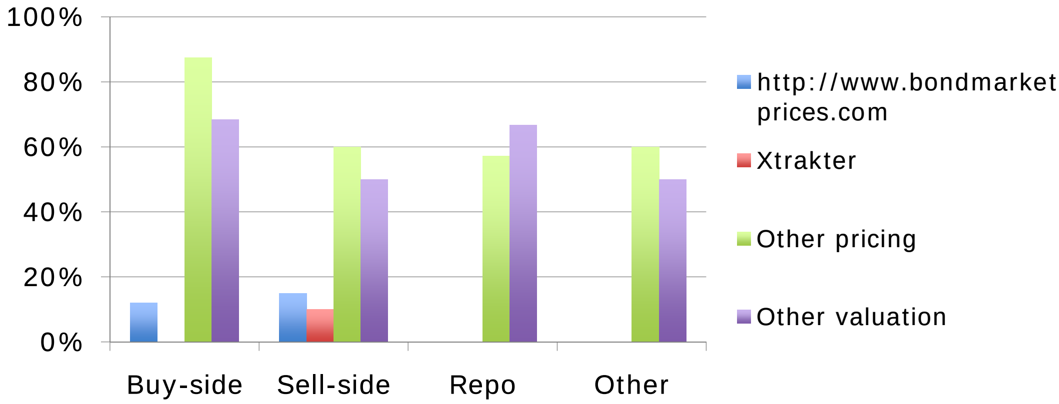


8. Do you use any of the following services?

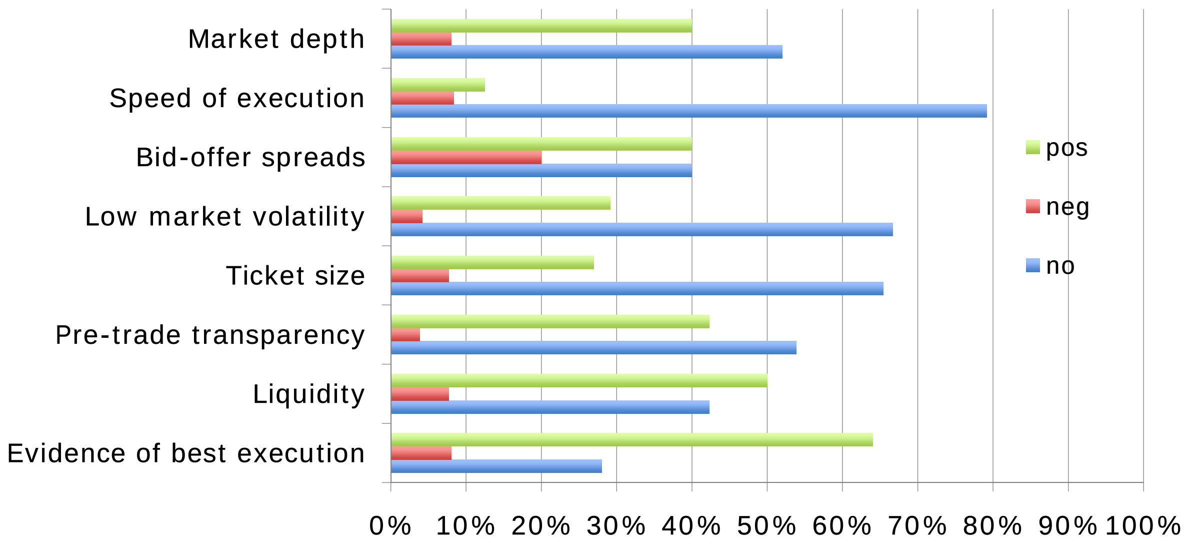


Answers display percentage of respondents who responded with "yes" on each item.
Respondents list use the following services:

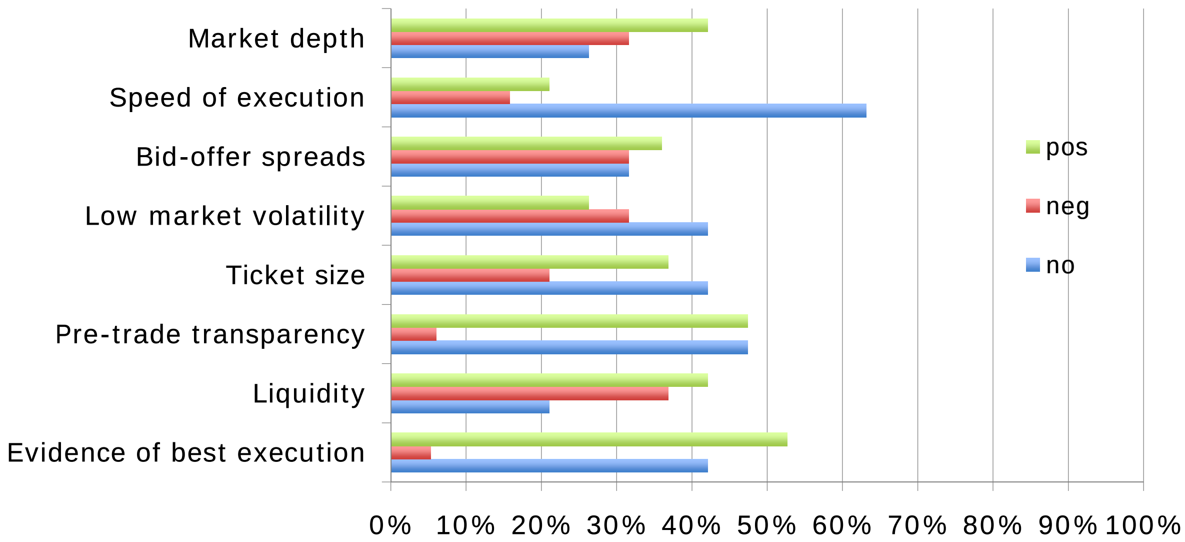
	Buy-side	Sell-side	Repo	Other
Barclays	1			
Barclays/Lehmann	1			
Bloomberg	9	11	3	2
Citi	1			
EFA		1		
FTI			1	
iBoxx	1			
In-house	2			
Markit	1	1	1	
RBC	1			
Reuters	5	3	1	
SIX Platform	3	2		1
Tradeweb	1			
Wilshire	1			

9. Would greater post-trade transparency have a positive, negative or no impact on the following?

Buy-side



Sell-side



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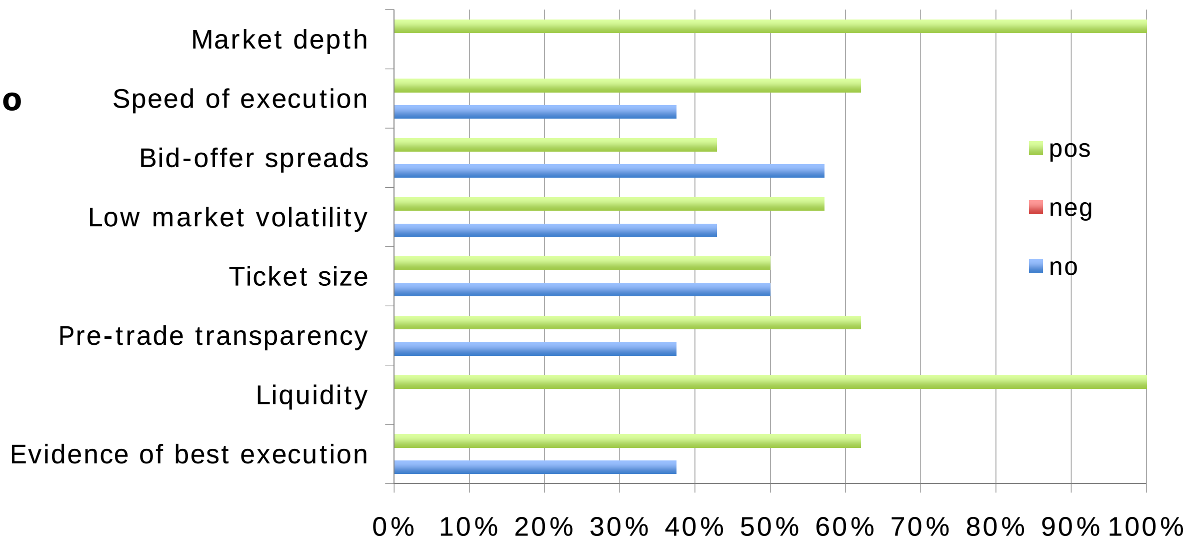

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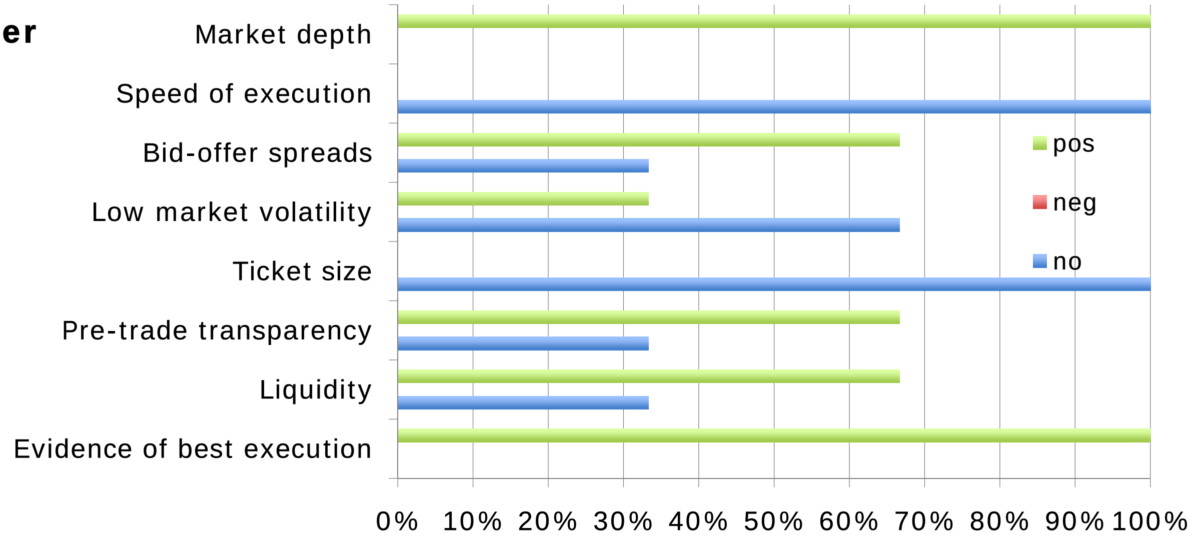
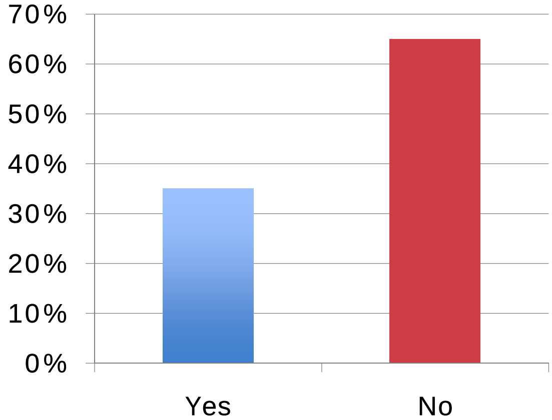
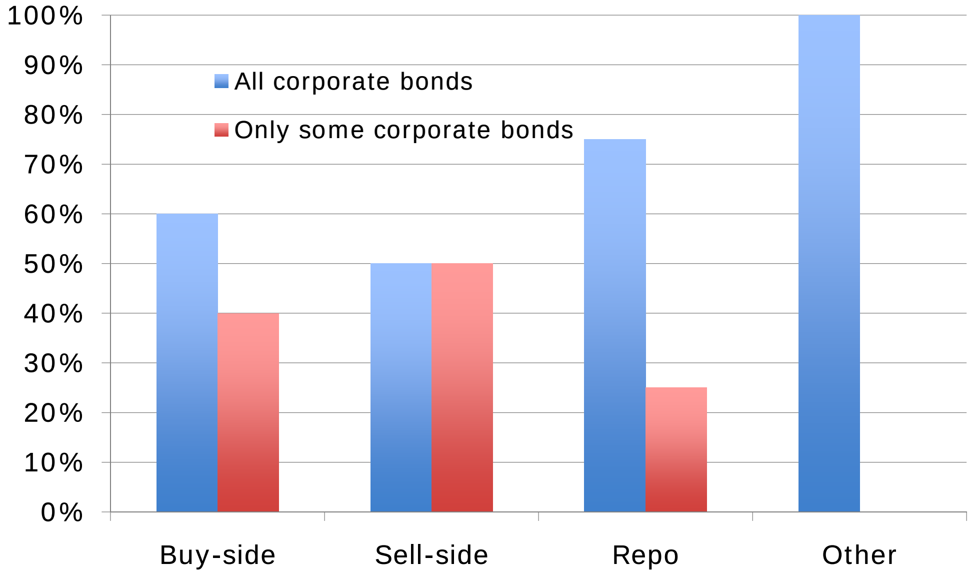


10. If you are a liquidity provider (i.e. trading desk, repo desk or market participant with interests similar to the **sell-side**), would greater post-trade transparency negatively affect your willingness to commit capital?

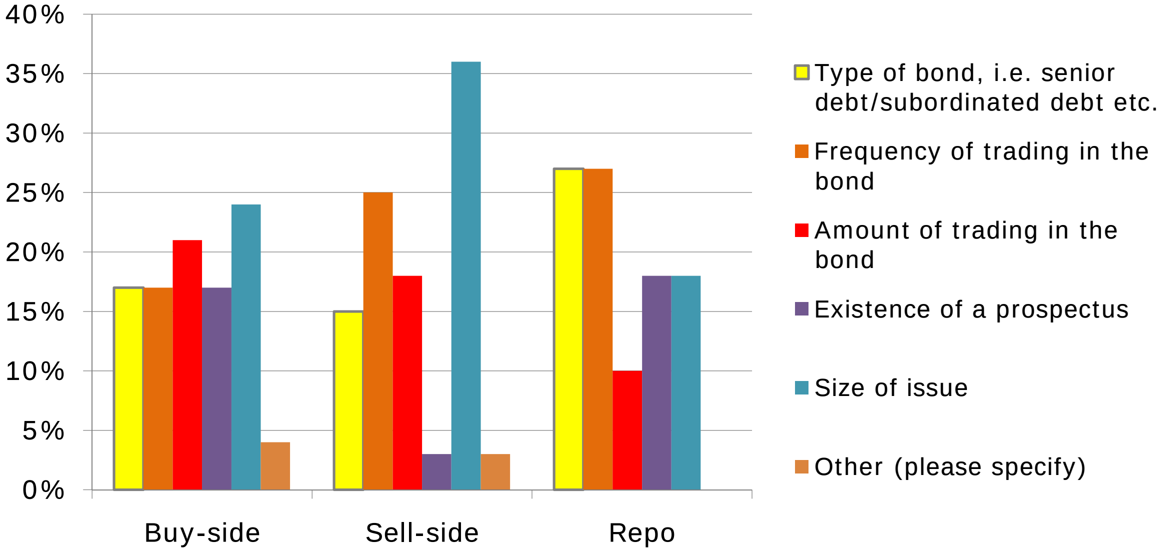


11. Should a possible post-trade publication scheme relate to all corporate bonds or only some corporate bonds?

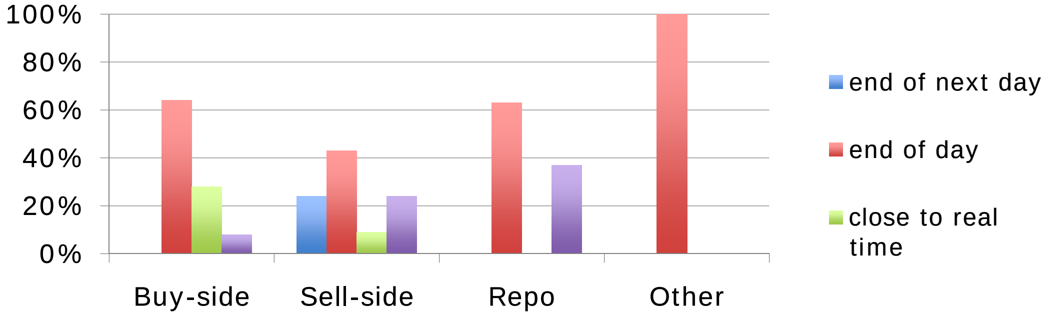


Only respondents who answered “only some corporate bonds” were asked to answer Question 12.

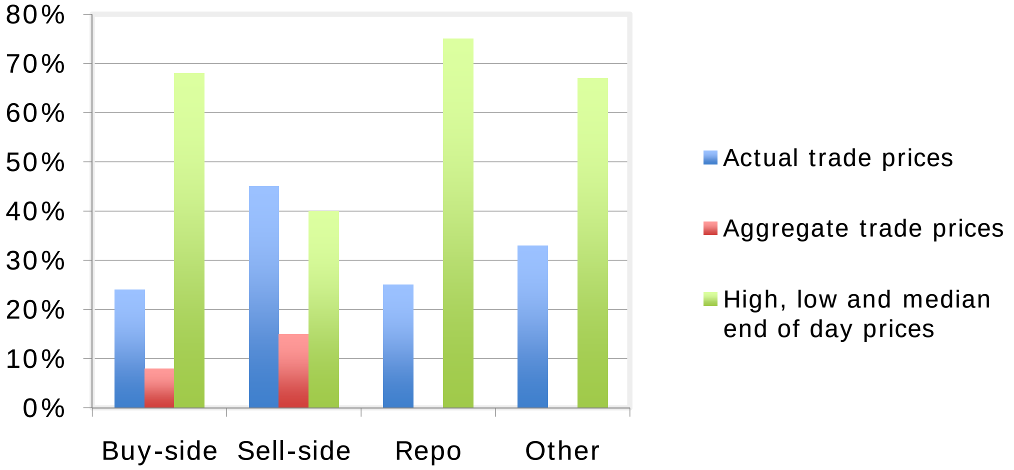
12. What criteria should be used to determine which bonds to include in the scheme?



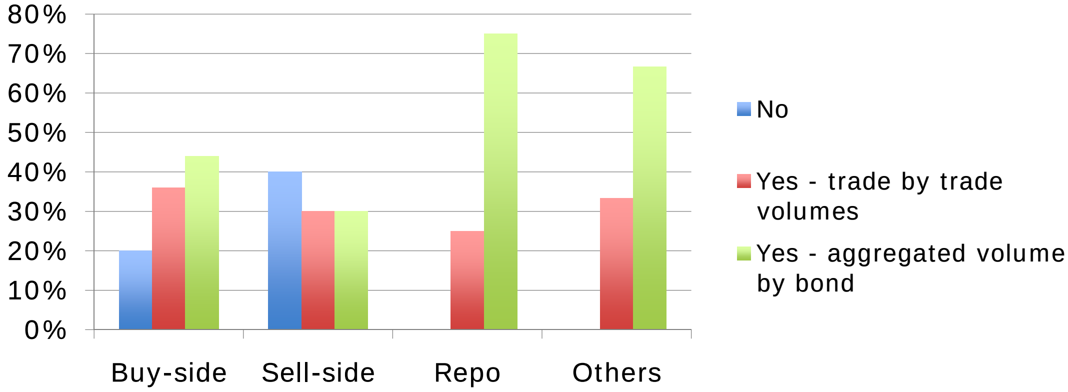
13. When should price data be published?



14. What price data should be published?

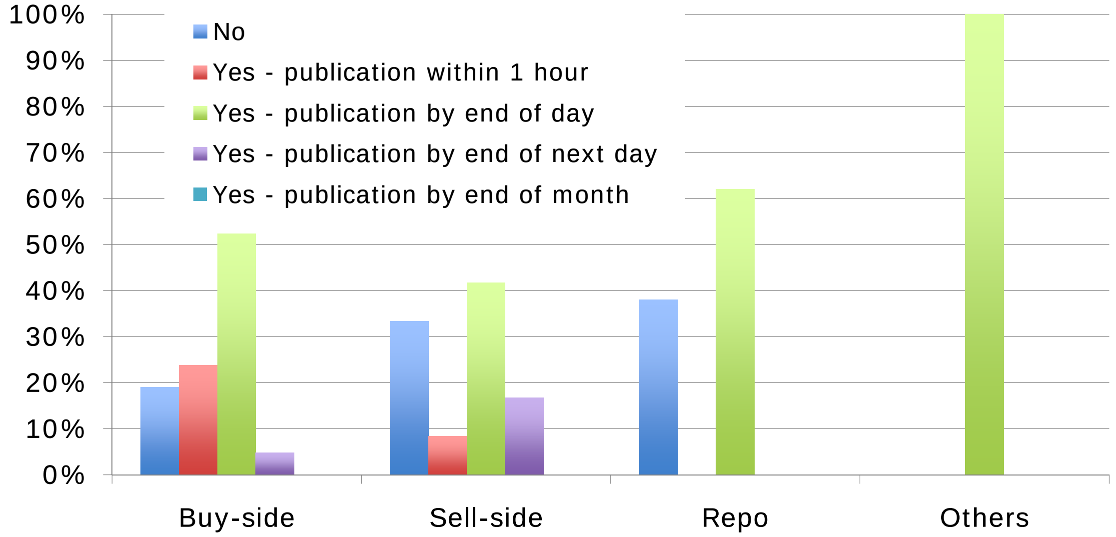


15. Should a possible scheme also publish data on trading volumes?

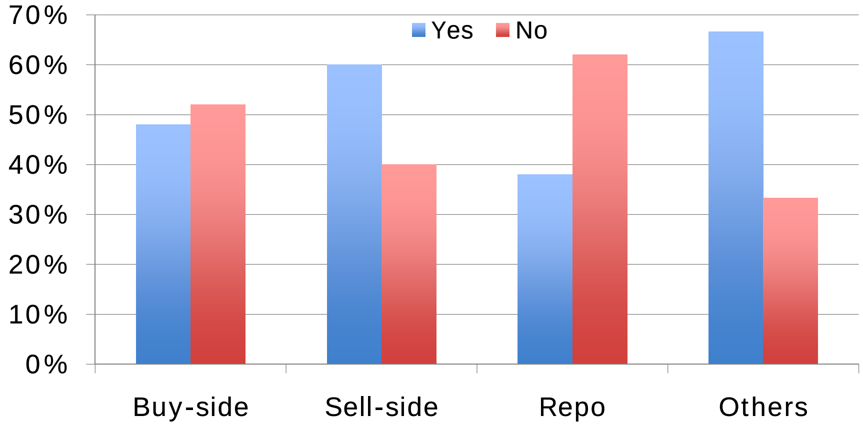


Only respondents who answered "yes – trade by trade volumes" or "yes – aggregated volume by bond" were asked to answer Questions 16.

16. Should data on trading volumes be subject to a publication delay?

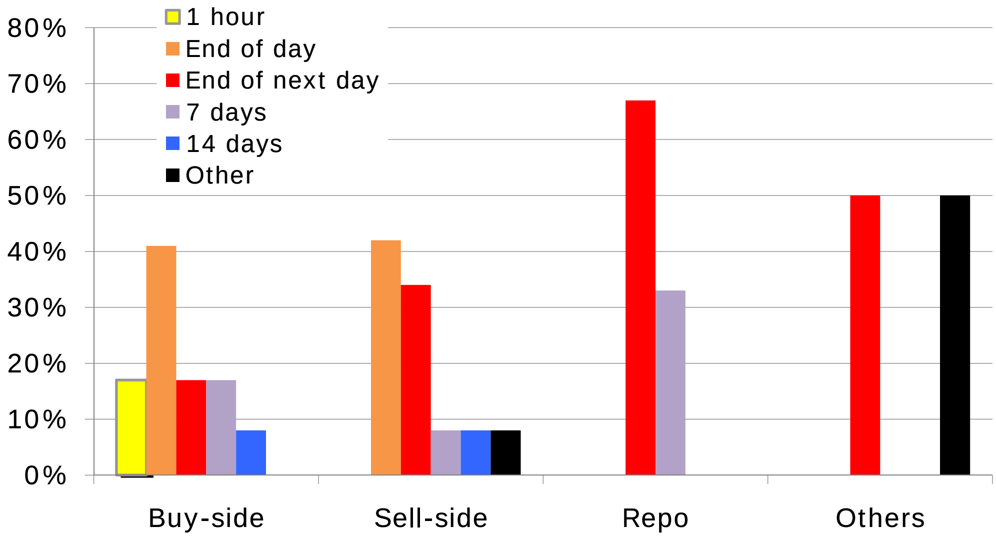


17. Should there be a delay in publishing price and/or volume data for large trades?



Only respondents who answered "yes" to this question were asked to answer Questions 18 and 19.

18. What should the time delay for large trades be?



19. How should large trades be defined?

Respondents suggested:

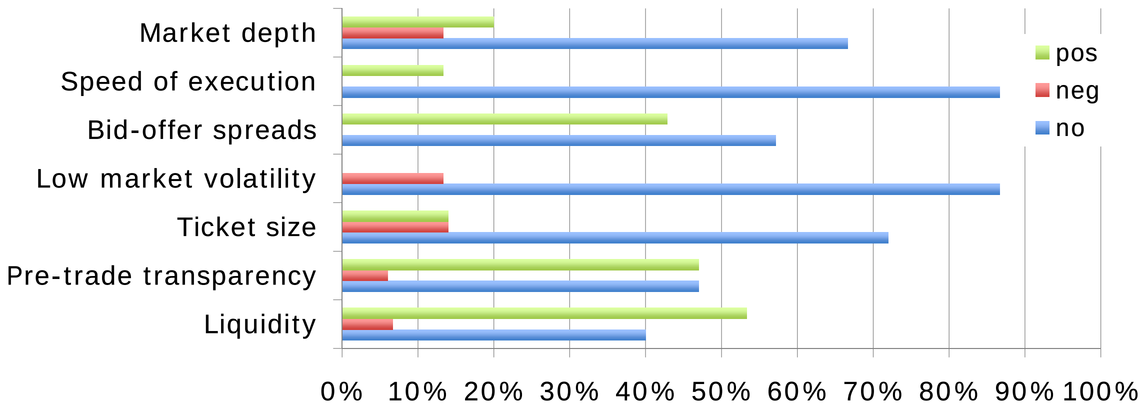
1) Trades over €1 million/€2.5 million/€3 million/€5 million/€10 million/€25 million/€50 million;

2) Trades greater than 3% - 10% of issue size/ percentage of notional outstanding/ percentage of volume issued;

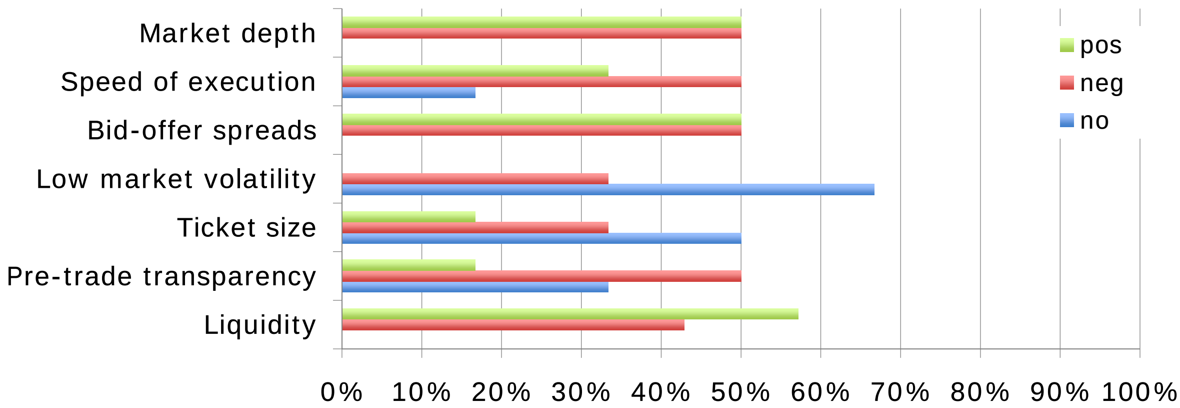
3) Trades greater than multiple of normal market size/ average trade volume.

20. What impact has TRACE had on the following factors in the US corporate bond market?

Buy-side



Sell-side



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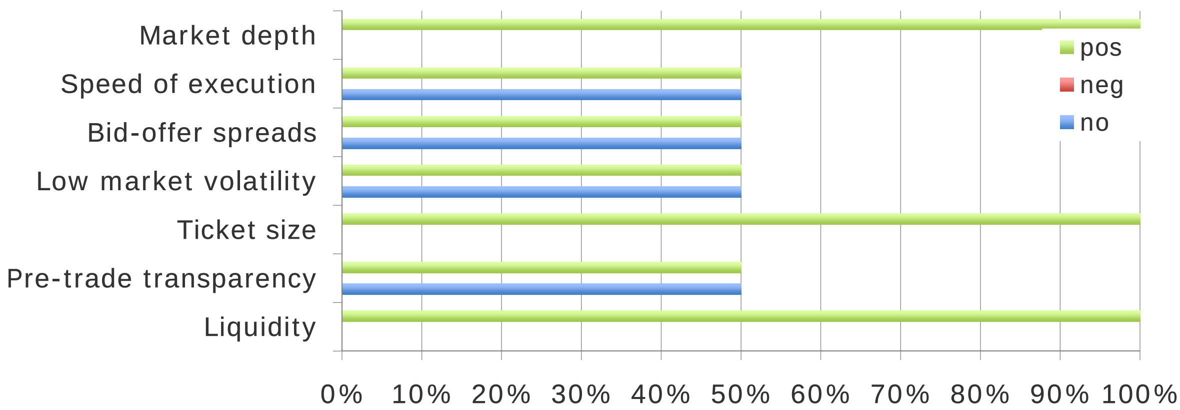

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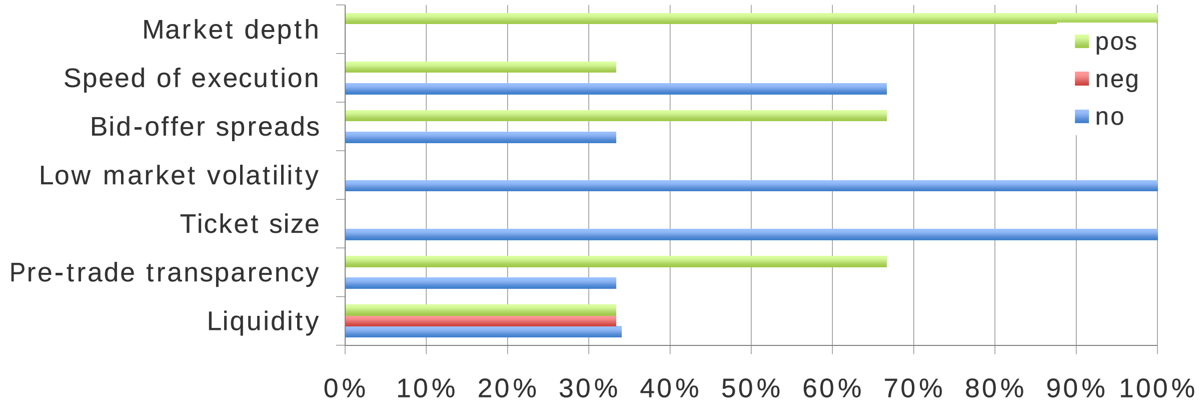

21. What, if any, factors distinguish the European bond market from the US market which need to be factored into any conclusions that might otherwise be drawn from TRACE?

There was a unanimous view across the buy-side, sell-side and repo that respondents are not familiar with TRACE.