



**Canadian Bond
Investors' Association**

**Association canadienne des
investisseurs obligataires**

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The Secretary
Ontario Securities Commission
20 Queen Street West
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Toronto, Ontario M5H 3S8
Via Email: comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
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CSA Staff Notice and Request for Comment - Next Steps in Regulation and Transparency of the Fixed Income Market

The Canadian Bond Investors' Association (CBIA) was established in 2011 and represents 45 of the largest fixed income institutional investor organizations in Canada, including those from the insurance, asset manager (including bank-owned), pension and investment counsel sectors. Those institutions represent more than \$800 billion of fixed income assets under management. As such, the CBIA is the voice of Canadian institutional bond investors, and hence of millions of pensioners, policyholders and retail investors who depend on CBIA members and other similar industry participants for the sound management of these investments.

We appreciate the opportunity to respond to the Request for Comment. One of the objectives of the Canadian Bond Investors Association (CBIA) is to advocate for positive change in the Canadian fixed income market, and to this end, we support the efforts the

Canadian Securities Administrators (CSA) regarding transparency in the market. We believe transparency will generally be positive for market participants, although that being said we understand the CSA needs to be mindful of the impact on all participants, including retail, small to large institutional investors and the investment dealers.

We will choose to comment only on the sections of the document which we feel require our view or opinion, and will follow the order of the document.

Section II 2. SEDAR Disclosure

The enhancements to SEDAR, including access to credit agreements, are an important improvement for investors doing corporate research and are strongly supported by the CBIA.

Section II 3. (a) Transparency requirements applicable to fixed income securities

The CBIA would suggest the CSA be a leader regarding transparency requirements for Government securities, despite the fact that no other jurisdiction has mandated transparency. That being said, other than for real return bonds and certain high coupon non-benchmark issues, there is reasonably good transparency for government securities currently and it is the corporate market that is lagging on transparency relative to the rest of the world.

Section II 3. (b) (i) IIROC as the information processor

The CBIA supports having IIROC as the information processor leveraging the Market Trade Reporting System (MTRS 2.0), where IIROC becomes the one entity overseeing investment trading regulation and transparency.

Section II 3. (b) (ii) Expanding transparency for trades in corporate debt securities

The CBIA supports increased corporate bond trading transparency via the MTRS 2.0, but will raise two issues related to the information to be disclosed. First, we would strongly encourage the disclosure of the spread (yield differential between the corporate security and underlying Government of Canada issue of a similar maturity) at which the corporate issue traded. This is a key metric used by the institutional and investment dealer community to price corporate bonds. Secondly, we would question why the type of trade (inter-dealer versus client purchase or sale) needs to be identified as this is not relevant, and transparency should focus on the price and volume details of the trade.

Section II 3. A. Dissemination delay

The CBIA would question the delay in dissemination of corporate security trading information. There have been some concerns raised by the investment dealer

community that without a delay and/or volume caps on trade details, traders may not be able to reduce their risk after large purchase or sales, which could result in a hesitancy to take risk and offer liquidity to the market. With the suggested volume caps as noted (\$2 million for investment grade and \$200,000 for high yield), we do not believe that T+2 time delay is necessary.

One of the concerns of the CBIA is that transparency in the Canadian fixed income markets is not equal for all participants. With the availability of the TMX CDS FIPS file at the end of day, this gives investors who purchase the FIPS file an unfair advantage regarding price transparency by allowing them to have access in advance of the release of trade details from IIROC. The time delay perpetuates the uneven playing field regarding transparency in Canada. The CBIA would encourage quicker dissemination, and would suggest T+1 is the maximum acceptable time delay.

The issue of information asymmetry is of paramount importance to our members. While the CSA will decide on the ultimate level of detail made available to market participants through IIROC, a critical part of its mandate, in our view, is to ensure that no market participant, or group of participants, has superior access to better trade information. As such, we believe access to the CDS FIPS file and CanPX information also needs to be addressed.

Section II 3. C. Proposed timeline to implement post-trade transparency for corporate debt securities

The CBIA recognized the desire to facilitate a smooth implementation of the IIROC Debt Reporting Rules and the MTRS 2.0, but would encourage a shorter time lag regarding the full dissemination of trade information for corporate debt. The CBIA would encourage the dissemination of trades in all corporate debt securities and for new issues of corporate debt to be rolled out by mid-2016. We do not feel that the need to mitigate the concerns regarding the impact of transparency on liquidity justifies a prolonged rollout. In addition, the CSA's concern on the robustness of the information provided by IIROC should be allayed by the fact that the information is available today through the CDS FIPS file as well as CanPX for a limited number of corporate bonds.


Section IV. Evaluating Access to the Fixed Income Market

The CBIA notes that the CSA plans to develop a working group to conduct a review of the new issue allocation process in Canada, and we would be pleased to participate in helping this working group if needed.

Thank you for reaching out to the CBIA for comment on this important subject of regulation and transparency in the Canadian Fixed Income market. This is an issue which has been discussed by many market participants over the last few years and it is

encouraging to see concrete steps being undertaken to improve on the current standards.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Morin". The signature is stylized, with a large loop for the letter "J" and a cursive "Morin".

Joe Morin
Chair