



Canadian Bond
Investors' Association
Association canadienne des
investisseurs obligataires

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June 7, 2013

Richard Corner
Vice-President, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9
Via email rcorner@iirc.ca

Dear Mr. Corner,

Re: IIROC Request for Comment on Proposed Rule 2800C – Transaction Reporting for Debt Securities

I am writing this letter on behalf of the members of the Canadian Bond Investors' Association (CBIA). The CBIA was established in 2011 and represents over 20 of the largest fixed income institutional investor organizations in Canada, including those from the banking, insurance, pension and investment counsel sectors. Our membership includes only the "buy-side" operations affiliated with banking and insurance companies. As such the CBIA is the independent voice of Canadian bond investors, and hence of the millions of pensioners, policy holders and retail investors who depend on us for the sound management of these investments.

We are writing in response to IIROC's request for comment on Proposed Rule 2800C – Transaction Reporting for Debt Securities.

The proposed rule highlights that Canada is significantly behind other global capital markets in the monitoring and surveillance of trading in debt securities. It is concerning to our members that currently there is effectively no monitoring by any regulatory body in Canada of trading in the corporate bond market, and there is limited monitoring of other fixed income trading.

IIROC's work on this front has moved very slowly in our view. For example, IIROC proposed enhancements to the 'Fair Pricing Rule' in 2009 and implemented those enhancements in 2011; the ability to monitor that rule will not be in place until late 2013 at the earliest, almost 4 years after the changes to the rule were first contemplated. We highlight that the U.S. has had a fully transparent reporting and monitoring system in place for corporate debt trading since 2002.

Therefore, we welcome the current IIROC initiative, and would like to provide whatever input we can to move the process forward. That said we believe that the proposed rule does not go far enough in that it should also address transparency in the fixed income markets in Canada. While trading activity in certain debt securities can be monitored through PC Bond and other similar sources (MTRS), it is not provided on a timely or cost-effective basis. In the interests of the investing public, bond trading data should be made available more broadly and at a cost where retail investors would have unimpeded access. We believe that this can be accomplished while at the same time protecting the confidentiality of the parties involved in trades. The CBIA would be pleased to work with IIROC to provide input on an improved monitoring and reporting system for the Canadian bond market.

A secondary area of potential concern is that the Proposed Rule would fail to adequately monitor trading activity in Canadian securities by dealers and intermediaries outside of Canada. For example, we believe there has been significant trading of Canadian fixed income securities in the U.S.; trades may have been routed by dealers to NY offices to avoid reporting requirements in Canada. We recognize that this may be beyond the scope of IIROC's responsibilities however the CBIA would welcome an open debate on the topic.

In summary, an open and transparent monitoring and reporting system is necessary to ensuring the overall integrity of the debt capital markets in Canada and we therefore urge IIROC to broaden the scope of this initiative and accelerate its deployment.

Sincerely,



Joe Morin
Chair

cc. Manager of Market Regulation
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