

# IIROC NOTICE

## **Administrative General**

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## **IIROC Study of Corporate Bond Markets: Liquidity Determination and Overview**

### **Executive Summary**

The Investment Industry Regulatory Organization of Canada (IIROC) is the national self-regulatory organization that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. In 2016, the Canadian Securities Agency (CSA) designated IIROC to be the information processor (IP) for debt markets in Canada<sup>1</sup>. As the designated IP, IIROC provides post-trade transparency on corporate issues on a T+2 basis to increase

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<sup>1</sup> CSA Staff Notice and Request for Comment 21-315 *Next Steps in Regulation and Transparency of the Fixed Income Market*, dated September 17, 2015, and IIROC news release *Corporate Debt Trade Information Now Available*, published on July 13, 2016.



transparency and market integrity in Canadian debt markets without negatively impacting liquidity. Post-trade transparency of corporate bond trading was implemented in two phases<sup>2</sup>:

- Phase 1 – Beginning July 6, 2016 all retail trades were reported; institutional trades were reported on a designated subset of liquid bonds.
- Phase 2 – Beginning July 1, 2017 all retail and institutional trades were reported for all bonds.

In the [attached paper](#), we outline the method developed to identify liquid vs. non-liquid bonds for the purpose of Phase 1. Our model to determine corporate bond liquidity uses the characteristics of the bond and certain trade metrics in order to rank and categorize corporate bonds.

Our results show that the model effectively segments corporate bond issues by liquidity when evaluated in aggregate against liquidity metrics such as bid-offer spreads and price impact. The methodology may potentially be used for surveillance or further analysis of the Canadian debt market.

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<sup>2</sup> IIROC receives trade information for government bonds, but does not disclose this information as part of Phase 1 or 2.