

Mr. Hannes Huhtaniemi
European Commission
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August 28th 2009

By email

Dear Hannes,

Re: Commission Staff Working Paper: – Possible initiatives to enhance the resilience of OTC derivatives markets

Question 21 of this consultation paper asks whether MiFID-type pre- and post-trade transparency rules should be extended to non-equities products and whether there are other means to ensure transparency. Our comments are limited to this question and the corporate cash bond market.

Over the past 40 years, ICMA has contributed significantly to the development of the international capital market. Promoting “best practices” and standards, contributing to education, helping supervisory authorities and furthering the links between its members, was and is ICMA’s mission. ICMA’s market conventions and standards have been the pillars of the international debt market, providing the self regulatory framework of rules governing market practice which have facilitated the orderly functioning and impressive growth of the market.

Much of the regulatory attention on the corporate cash bond market since the crisis began has focussed on issues of transparency and post-trade transparency in particular. However, as important as transparency is, it is doubtful that problems of transparency are the main contributors to illiquidity today. As we have set out in the past, we believe that before considering whether to impose a “solution” one must first establish the nature of, and reasons for, any “market failure”. In the corporate cash bond market both our buy-side and sell-side firms are aware of numerous difficulties in getting business concluded since Lehman’s collapse last year. However, it is unlikely that a mandatory post-trade transparency regime would resolve these problems.

ICMA considers that the market needs to do more to investigate the relationship between well designed trading transparency on the one hand and liquidity, market confidence and integrity on the other. In particular, there needs to be a better understanding of the information needs of the buy side and sell side in order for them to participate effectively in the market. Therefore, ICMA is setting up a joint buy and sell side working group. The remit of the working group is to look at transparency, liquidity and related issues in the corporate bond market. The group will also look at credit default swaps as necessary for a proper assessment of the corporate bond market. The group's aim will be to see if the buy and sell sides can agree a market-led initiative to get the market working more efficiently.

ICMA intends to report to the Commission as soon as possible after the working group has formed its view.

Please do not hesitate to contact me if you have any questions or concerns.

Yours sincerely,



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