Bond market post-trade transparency regimes

ICMA has compiled an overview of current post-trading reporting obligations across multiple jurisdictions from Europe, the Americas and Asia-Pacific. The purpose of the mapping is to provide a consolidated view to compare both regulatory rules and best practice guidance on bond post-trade transparency regimes, as well as details on reporting fields and exceptions. This is a non-exhaustive overview and is intended to be a living document with periodic reviews.

Evolution of bond market transparency

Transparency requirements have evolved in various aspects across regions. The US's FINRA TRACE model, for example, was a replacement to the previous Fixed Income Reporting System (FIPS). FIPS provided a summary of post-trade data with one-sided quotation information to a limited number of HY OTC Corporate Bonds. The TRACE model expanded on post-trade transparency and eliminated pre-trade quotations, while reducing the reporting timeframe from 75 to 15 minutes. Similar time reductions have been seen in Indonesia (Government and Corporate OTC reporting within 1 hour to 30 minutes) and the EU's MiFID II/R regime specifies real time reporting obligations of in-scope instruments will move from 15 minutes for first 3 years to 5 minutes thereafter.

Regulatory frameworks and rulebooks

Transparency regimes are structured in varying ways across jurisdictions. A common regulatory framework for trade reporting is characterised by a Self-Regulated Organisation (SRO) or Limited Exchange SRO, overseen by a Statutory Regulatory body. The SRO or Exchange in many cases maintains a rulebook or publishes guidelines which adhere to regulatory requirements. This type of structure is the case for the United States, Canada, Hong Kong, Japan, Republic of Korea, Singapore and Thailand among others. This model is in contrast to the EU's MiFID II/R transparency regime.

Post-trade transparency

Post-trade transparency generally refers to the dissemination of executed trade details to market participants. As the trade has already been executed, a large array of data points is generally required. Such data could include product identifier (such as ISIN or CUSIP) final price, volume, yield, value, execution time, direction, counterparty and unique transaction ID.

Post-trade data availability also varies across regimes, with a number of jurisdictions implementing transparency reporting requirements based on a set of defined criteria (such as liquidity status of an instrument or the size of a transaction). This may impact either the timing of reporting (eg delayed publications) or level of detail displayed (eg transaction volumes are masked above a certain threshold).

Timing of publication: The delay between execution time and dissemination ranges between real time and weeks. The EU for example has real time post-trade reporting requirements for non-exempt trades. If the trade is deemed large in size or illiquid the reporting may be deferred for up to four weeks (Article 11 MiFIR, supplemented by Articles 8-11 RTS 2). The EU's MiFID regime is unique in assessing liquidity to determine post-trade reporting requirements. However, Switzerland's SIX exchange rules follow MiFID's liquidity standards in addition to waivers for LIS and SSTI qualifying bonds, based on mutual market access obligations to retain EU equivalence, and allows for a deferral to T+1 7:00am. Australia's transparency regime for Commonwealth Government Securities (CGS) also follows a deferral regime for exceptions, where Large Principal Transactions are to be reported as soon as practicable after Reporting Participant is no longer exposed to risk from the transaction (6.3.1(2) rules, generally T+1).

Information masking: Volume information is the most common data point withheld or masked. A large volume trade could fall into a deferral regime (eg MiFID's LIS or SSTI exceptions and Australia's Large Principal Transaction rules) where under other regimes a large trade could be reported on-time but with 'capped' volumes to mask the real size of a trade. The United States, Canada and Japan all have cap limits. In addition, US and Canada have distinct caps for IG ($5million and $2 million respectively) and HY/non-IG ($1 million and $200,000 respectively) categories while in Japan, Corporate bonds lower than AA ratings and transactions smaller than JPY100 million are not subject to the transparency requirements.

The Bond Market Post-Trade Transparency Directory is available on ICMA's website.

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