Legacy Corporate Bond Benchmarking Survey March 2021

PRESENTED BY
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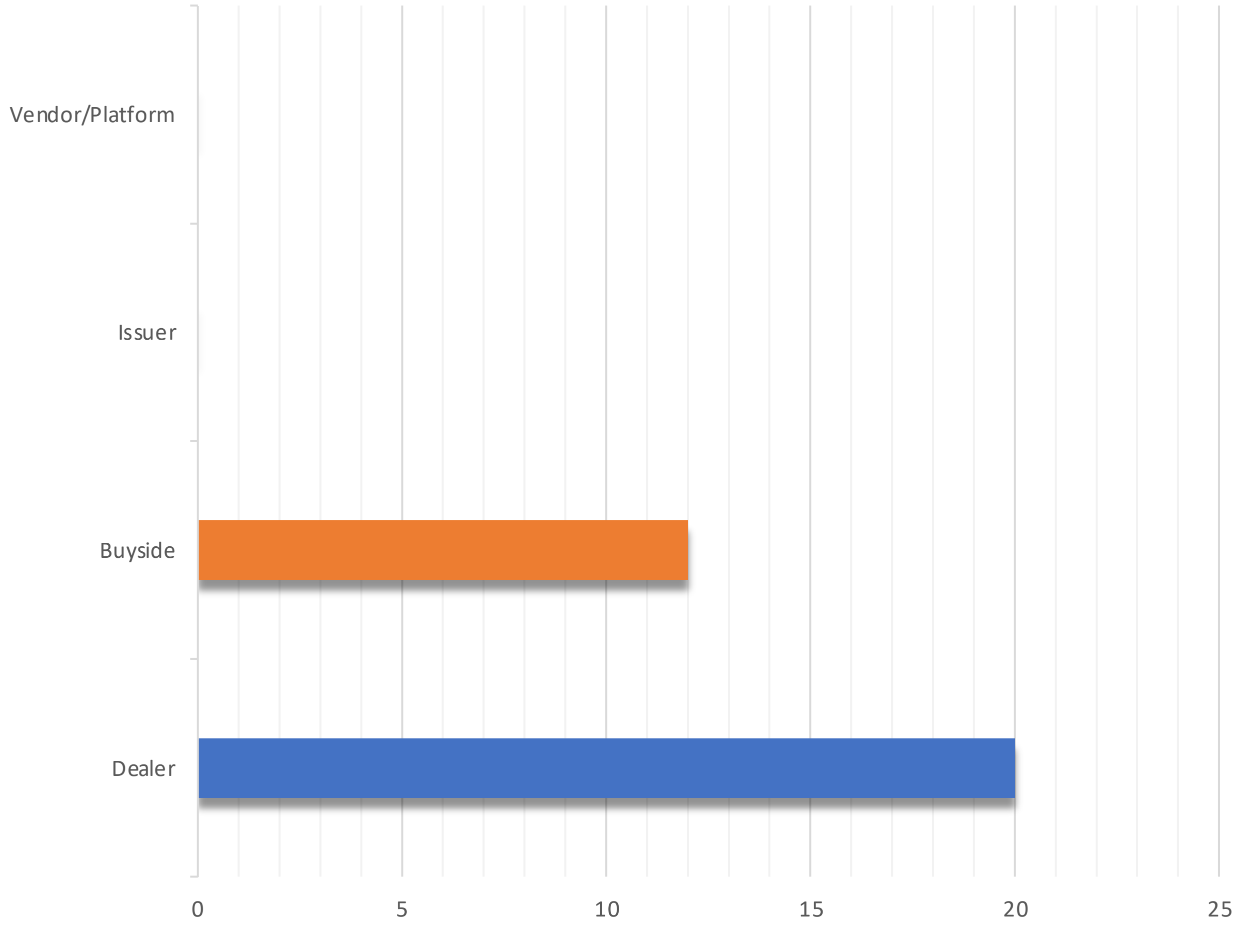
Background on Survey

- It has been proposed that certain legacy corporate bonds should transition from being benchmarked against the 30-year Treasury to the 20-year Treasury, in line with the new-issue market.
- This survey was designed to gather market input about the operational challenges associated with transitioning certain types of legacy corporate bonds benchmarked to the 30-year Treasury to the 20-year Treasury, and the extent to which any such transition could enhance or impair liquidity in, or otherwise support or disrupt, the fairness and efficiency of the secondary markets in which such bonds are traded.
- Individual firm responses have been maintained as confidential and survey results are aggregated and anonymized to preserve that confidentiality.
- The survey was held open from February 22 through March 2.
- 32 firms responded – 20 dealers and 12 buyside firms.

Q2. What is your role in the market?

Answer Choices	Responses	
Dealer	62.50%	20
Buyside	37.50%	12
Issuer	0.00%	0
Vendor/Platform	0.00%	0
	Answered	32
	Skipped	0

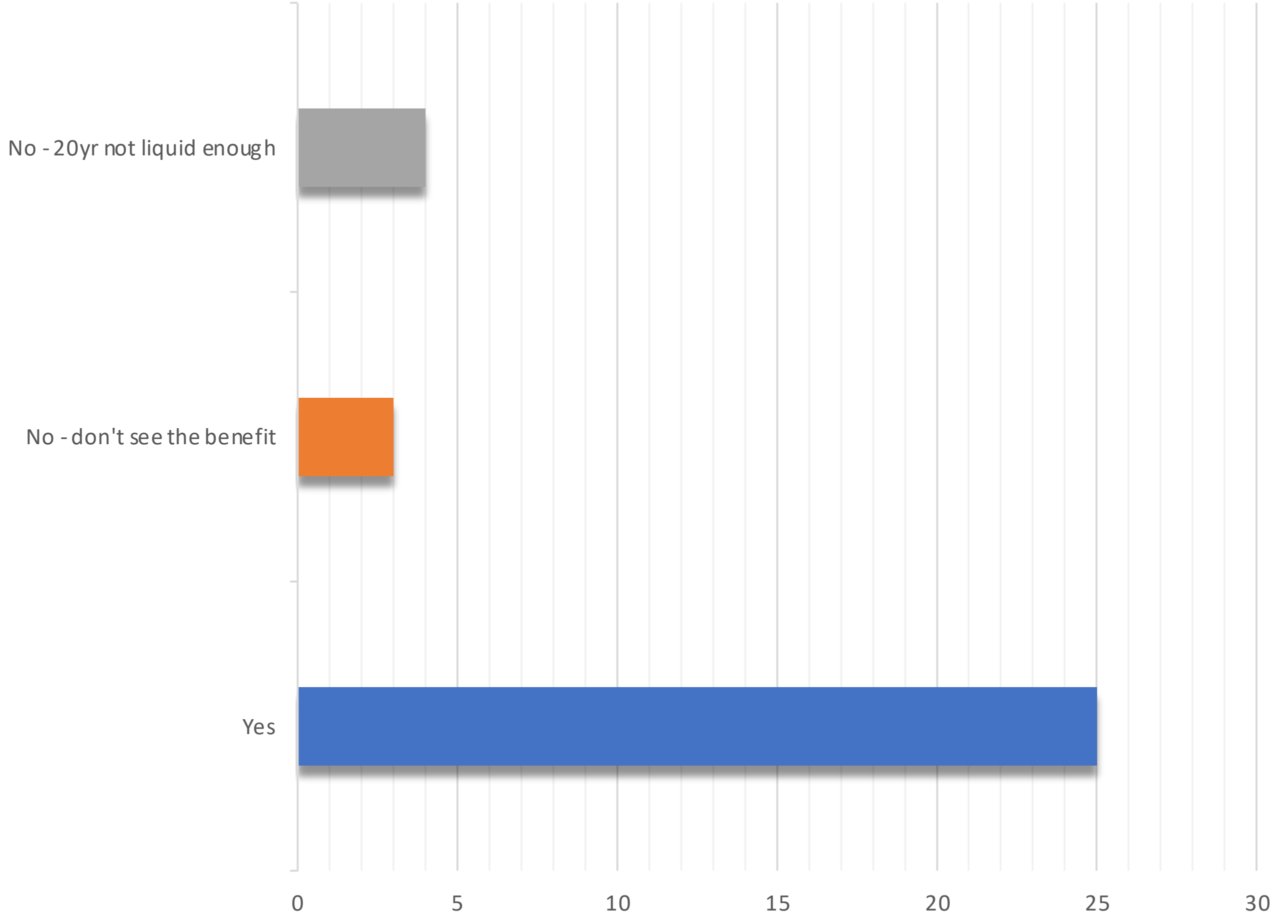


Notes:

- *Survey was sent to members of SIFMA's Corporate Credit Committee and Asset Management Group*

Q3. Would you support a recommendation that the secondary market trading of certain legacy corporate bonds be transitioned from the 30yr Treasury to the 20yr Treasury?

Answer Choices	Responses	
Yes	78.13%	25
No - don't see the benefit	9.38%	3
No - 20yr not liquid enough	12.50%	4
	Answered	**32**
	Skipped	**0**

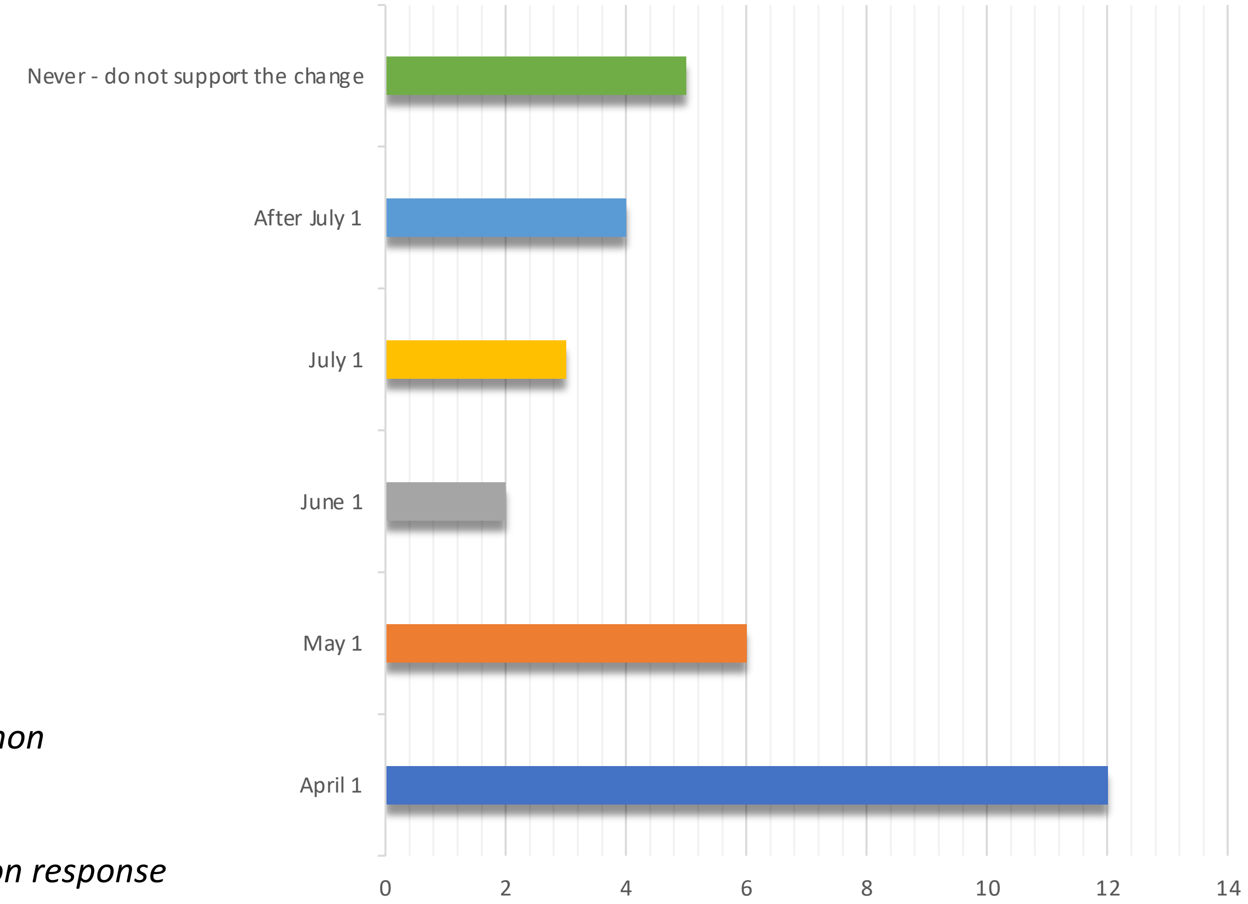


Notes:

- *Supermajorities of both dealers and buyside firms chose "yes", with a stronger majority among buyside firms.*

Q4. If secondary market trading of certain legacy corporate bonds were transitioned to the 20yr Treasury, when would such a transition be operationally feasible?

Answer Choices	Responses	
April 1	40.63%	12
May 1	15.63%	6
June 1	6.25%	2
July 1	9.38%	3
After July 1	12.50%	4
Never - do not support the change	15.63%	5
	Answered	**32**
	Skipped	**0**

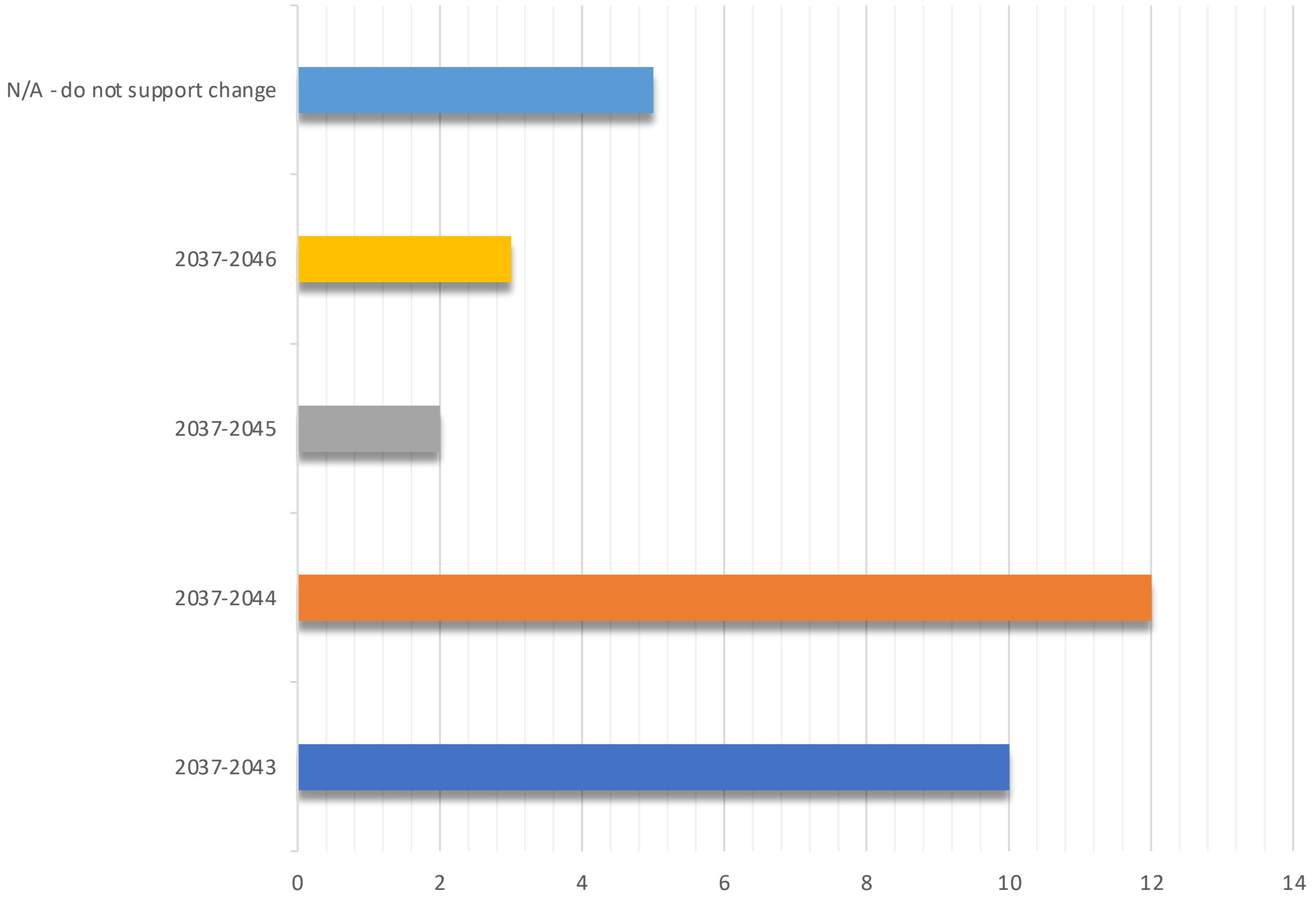


Notes:

- *A majority of buyside firms chose April 1; second most common response was May 1.*
- *A plurality of dealer firms chose April 1; second most common response was "after July 1".*

Q5. Which maturities, if any, do you believe could be feasibly transitioned to the 20yr Treasury without disrupting the fairness and efficiency of the secondary markets in which they are traded?

Answer Choices	Responses	
2037-2043	31.25%	10
2037-2044	37.50%	12
2037-2045	6.25%	2
2037-2046	9.38%	3
N/A - do not support change	15.63%	5
	Answered	**32**
	Skipped	**0**

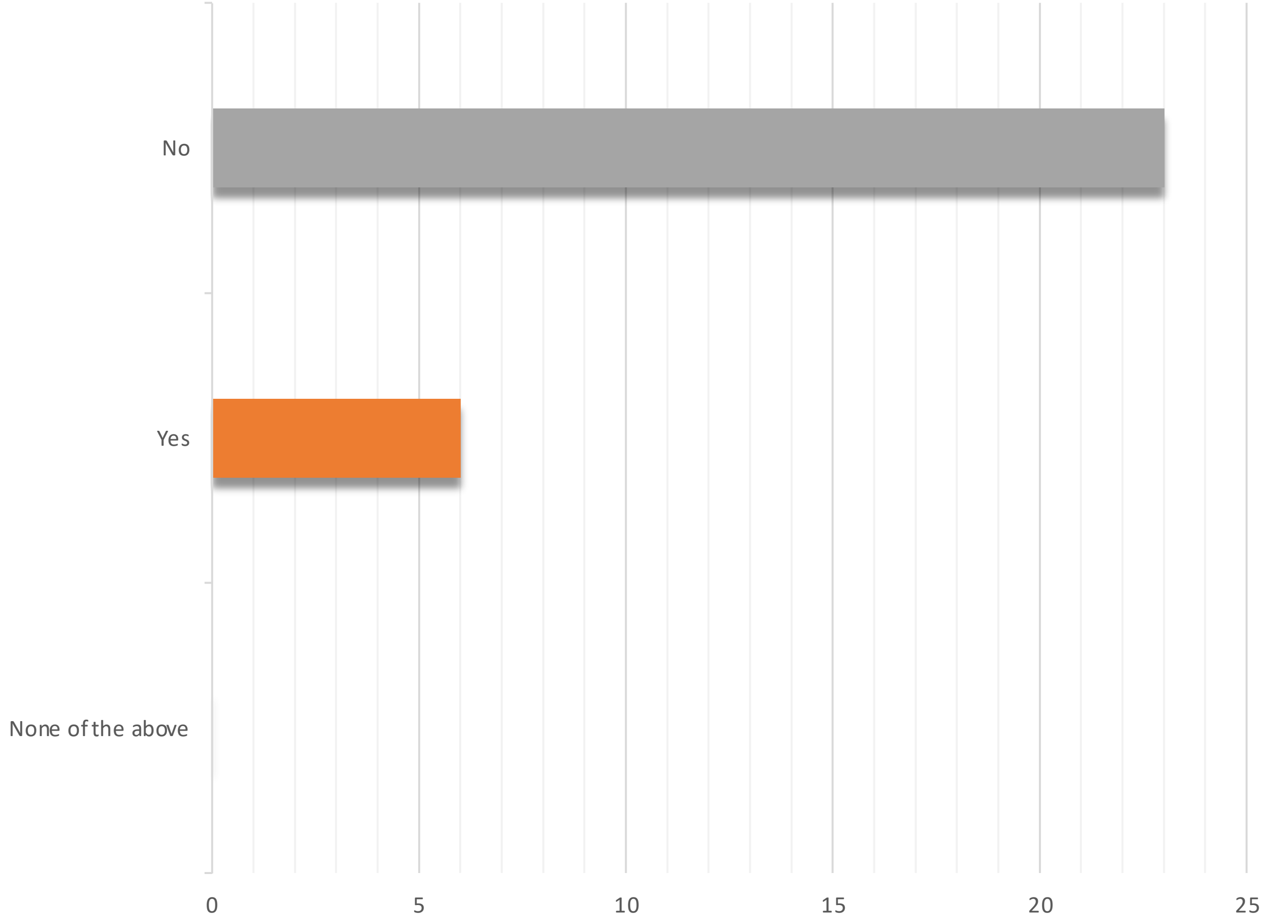


Notes:

- *A plurality of dealer firms chose 2037-2043*
- *A plurality of buyside firms chose 2037-2044*

Q6. Do you foresee any issue with rolling old20s to current20s each cycle given the mismatch in issue sizes at first issue? If so, would it facilitate such a transition to make the benchmark o20s similar to how o30s are used currently to solve for this issue?

Answer Choices	Responses	
None of the above	0.00%	0
Yes - there is an issue with rolling,and therefore the benchmarking should be to the o20s similar to the current convention of using o30s (if you answer yes but believe o30 is not the right convention, use the comment box)	20.69%	6
No - there is no issue with rolling old20s to current 20s each cycle	79.31%	23
	Answered	**29**
	Skipped	**3**



Notes:

- *3 comments received in accordance with the "yes" answer instruction did not provide information beyond the answer choices given*

Q7. If you do not believe the 20yr is sufficiently liquid for use with legacy corporate bonds today, what would be indicators of sufficient liquidity in the future? Leave blank if you do not take this view.

Summary of answers:

- bid/ask and volumes
- hedging costs w/20s vs basis risk using 30s
- longer history of issuance of 20s

Q8. Please list your top 1-3 operational/implementation challenges associated with this, if any.

Summary of answers:

- Ensuring that platforms, trading venues and vendors are on board and ready prior to go-live date with a consistent implementation of the change.
- Sufficient notice of change / time to implement.
- Broker pricing algorithm readiness.
- Clarity on scope of change / impacted CUSIPs.
- Internal risk reporting / mapping / modeling.
- Transitioning old hedges to new hedges.
- Handling rolls and off the run 20yr bonds.

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