

Fixed Income Survey

**Results are as of April 22nd, 2020*

This is part of a series of surveys the IIAC is conducting to assess the unique needs of specific divisions of the investment industry, in order to better facilitate assistance for those needs.

IIAC is committed to working with members, the CSA, IIROC, TMX Group, the MFDA, the Canadian Bankers Association, multiple levels of government, regulators and others to ensure the wellbeing of the economy and the investment industry community at this time.

The results of the survey can be found below. Some responses have been moderated to ensure anonymity.





Executive Summary

From the early weeks of the pandemic the priority concern of clients has been regarding liquidity – now several weeks in, this remains their top concern as made apparent by this survey.




The impact of government measures, on both a federal and provincial level, has been a positive force, with many respondents labelling them as very helpful, praising their timeliness and efficacy, and applauding the Bank of Canada for a series of effective monetary programs.

Overall trading volumes have increased, and electronic trading volumes have moderately decreased. High yield corporate bonds in particular are trading on an agency basis. Communication on a remote basis, as opposed to on the trading floor, remains a key stumbling block and is negatively affected by social distancing.

How would you best describe your firm?

-  Bank of Canada Primary Dealer - 100%
-  Retail Dealer – 0%
-  Canadian Institutional Dealer - 0%
-  Foreign Institutional Dealer - 0%

What percentage of your fixed income/repo trading employees are currently working remotely or from a back-up site?

-  All - 14.29%
-  More than 75% - 57.14%
-  Between 50-75% - 14.29%

- ✚ Between 25-50% - 7.14%
- ✚ Less than 25% - 7.14%
- ✚ None - 0%
- ✚ N/A - 0%

What percentage of your fixed-income sales employees are currently working remotely or from a back-up site?

- ✚ All - 21.43%
- ✚ More than 75% - 57.14%
- ✚ Between 50-75% - 7.14%
- ✚ Between 25-50% - 7.14%
- ✚ Less than 25% - 7.14%
- ✚ None - 0%
- ✚ N/A - 0%

What other measures has your firm taken to help support the running of its fixed-income sales and trading business during the current period?

- ✚ Back-up site set up, work from home capabilities
- ✚ Back-up location and some full setups at home
- ✚ Skype cameras, dial-in polycom to conference multi-desks
- ✚ We have people working from the main office, offsite and at home in order to make sure we are not only practicing social distancing but at the same time are equipped to ensure business is humming along smoothly
- ✚ Remote site, home
- ✚ We have facilitated the creation of an online BOX using Microsoft Teams so all fixed income traders can hear the flow and communicate quickly using this open line of communication.
- ✚ Provided systems (hardware), promoted more flexible work schedules and temporarily accommodated video chats
- ✚ Top 50 key employees have network access from home

What fixed-income related sales or trading functions, if any, are you finding difficult or not possible to carry out remotely? Please list:

- ✚ Small latency and communication issues.
- ✚ Communication is poor vis-a-vis the trading floor. Rates trading and sales is the hardest. Origination and credit are the easiest.
- ✚ Initially setting up trading risk monitoring was difficult, but this seems to have improved as the crisis is prolonged.
- ✚ I don't think this issue was specific to our firm, but at first, we found that the capacity of bandwidth

of the internet or sheer demand on the phone lines for conference calls were too much to handle.

- ✚ Phones
- ✚ System connectivity (VPN) has been the highest problem area.
- ✚ Managing phone lines.

In your experience, how problematic have the following been during the recent period?

Issue	Very Problematic	Somewhat Problematic	Not Problematic	N/A
Connecting to your firm's internal trading system	7.69%	15.38%	76.92%	
Connecting to market infrastructure (e.g., CDS, CDCC, MX)		15.38%	69.23%	15.38%
Communicating/Connecting with Clients		30.77%	69.23%	
Communicating with other colleagues on your desk/firm		38.46%	61.54%	
Ensuring trading desks are sufficiently staffed (either on-site or remotely)		15.38%	76.92%	17.69%

How would you rate the functioning in the following areas of the market?

	Very Poor	Poor	Same as Always	Good	Very Good	N/A
Government of Canada Bond Market		53.85%	7.69%	15.38%	7.69%	15.38%
Provincial Bond Market		69.23%		7.69%		23.08%
Corporate Bond Markets – Investment Grade	30.77%	38.46%	7.69%			23.08%
Corporate Bond Markets – Non-Investment Grade	61.54%	7.69%	7.69%			23.08%
Market for Securitized Debt Products (e.g. MBS)	15.38%	46.15%	15.38%			23.08%
Domestic Money Markets	7.69%	53.95%	7.69%	7.69%	7.69%	15.38%
Repo Markets		7.69%	38.46%	23.08%	15.38%	15.38%
Debt Syndication/Origination		23.08%	23.08%	30.77%		23.08%

Comments:

- ✚ Bank of Canada has been extremely helpful in the front-end repo and money market
- ✚ Some of these answers would have been worse before the Bank of Canada purchases

How impactful have recent measures announced by the federal government, including the Bank of Canada, OSFI, and CMHC, been in supporting market functioning?

- ✚ They have been very helpful - 76.92%
- ✚ They have been moderately helpful - 23.08%
- ✚ They have helped only slightly - 0%
- ✚ They have not helped - 0%

Which government measure(s) do you think have been the most impactful?

- ✚ Repo facility
- ✚ Bankers' Acceptance Purchase Program - they actually were aggressive. The Insured Mortgage Purchase Program is the opposite- ineffective.
- ✚ Bank of Canada liquidity to the market. Term repo auctions.
- ✚ Term repo, Bankers' Acceptance/ Commercial Paper buyback
- ✚ All have been very helpful
- ✚ Helping out the short-end which had been frozen
- ✚ Bankers' Acceptance Purchase Facility, Buyback operations AKA quantitative easing program
- ✚ Bankers' Acceptance Purchase Facility, Short Term provincial buying
- ✚ The term repo auction, leverage ratio changes and the Bankers' Acceptance Purchase Facility
- ✚ Term repo financing, cap/leverage relief, provide purchase program
- ✚ Bank of Canada purchase operations
- ✚ Relaxing collateral eligibility at Bank of Canada auctions
- ✚ Bankers' Acceptance Purchase Program

What other measures, if any, do you think can be taken by policy makers to support domestic fixed income markets?

- ✚ Corporate bond purchase, provincial paper purchases, real return bond purchases
- ✚ Bank of Canada is limiting downside, they are not actually aggressive enough to truly impact the economy. The Federal Reserve Board and the European Central Bank are 10x more aggressive.
- ✚ National Housing Act (NHA) Insured Mortgage Purchase Program needs to be open to all primary dealers. This would improve secondary trading
- ✚ Add provincial bonds to quantitative easing program (QE)
- ✚ Buy longer term provincials, municipals
- ✚ Support the provincial and corporate markets through credit quantitative easing program (QE)
- ✚ Term purchases of provincials & corporates
- ✚ Benchmark purchases
- ✚ Provincial and Corporate bond purchase programs

How have your overall trading volumes changed since early-March?

- ✚ Increased a lot - 15.38%
- ✚ Increased a little - 30.77%
- ✚ Same volume as usual - 7.69%
- ✚ Decreased a little - 23.08%
- ✚ Decreased a lot - 23.08%

How have your electronic trading volumes changed since early-March?

- ✚ Increased a lot - 8.33%
- ✚ Increased a little – 25%
- ✚ Unchanged – 25%
- ✚ Decreased a little – 25%
- ✚ Decreased a lot – 16.67%

Has electronic “List” trading become more difficult to execute in recent weeks?

- ✚ Yes - 46.15%
- ✚ No - 30.77%
- ✚ N/A - 23.08%

Please Explain:

- ✚ Markets move too quickly for list trading
- ✚ Lists at 4:00 on busy days are always challenging procedurally. Nothing has changed there.

How have the flows from international accounts changed?

- ✚ Increased - 23.08%
- ✚ Decreased - 30.77%
- ✚ Stayed the same - 30.77%
- ✚ Don't know - 15.38%

What modes of communication are you predominately using to stay connected with clients?

- ✚ Phone - 46.15%
- ✚ Email - 46.15%
- ✚ Chat - 100%

Other (please specify):

- ✚ Skype, conference bridge
- ✚ FaceTime

Based on your communications with clients during the current period, what are your clients most concerned about?

- ✚ Liquidity (more than 5 respondents indicated liquidity)
- ✚ Health, liquidity and the economy
- ✚ Liquidity, balance sheet
- ✚ Fixed Income liquidity
- ✚ Liquidity and being blindsided by new programs being announced on the fly
- ✚ Market Volatility
- ✚ Access to liquidity and balance sheets
- ✚ Personal safety

What additional measures should the industry consider adopting to deal with the current operating and/or market environment that dealers find themselves in?

- ✚ Shortening the work week
- ✚ Shortening dealing hours