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U.S. SEC Close to Forming Group to Scrutinize the Bond Market.

NEW YORK (Reuters) – The U.S. Securities and Exchange Commission has taken the first step in formally establishing an advisory committee to scrutinize the rules of the fixed income market and advise on potential reforms, according to a regulatory filing.

The Fixed Income Market Structure Advisory Committee (FIMSAC) will have a two-year mandate and will likely meet four times a year, with subcommittees potentially meeting more often, the regulator said in the filing, dated Thursday, Oct. 26.

In July, SEC Chairman Jay Clayton brought up the idea of a committee to advise the regulator on the bond market. It was his first major address after joining the agency.

Issues the committee may look at include pre-trade transparency, the complexities of the municipal bond market, and bond market liquidity, SEC Commissioner Michael Piwowar said on Thursday in prepared remarks at a market structure conference.

“There are enough issues within that topic alone to keep the committee members busy for some time,” he said of the liquidity issue. “Including the impact of bond ETFs on liquidity in the underlying securities, the evolving role of the buy-side in the provision of liquidity, and the impact of regulatory and monetary policy decisions on fixed income markets,” he said.

The new committee will have up to 21 voting members that will be appointed by the SEC and will represent a cross-section of the fixed income industry, the filing said. Non-voting members may also be named.

The committee can be established 15 days after the SEC filing is published in the federal registry.

The SEC has had a similar committee in place to advise it on the equity markets since February 2015> That panel, composed of industry experts and academics, has made recommendations to the regulator on a wide range of issues, including regulation of trading venues, market volatility, and broker-dealer order handling practices.

by John McCrank

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