

Seven Basic Requirements of Government Bond Market Liquidity

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Will You Buy It? Can You Sell It?

- Liquid bonds can be sold easily and in large amounts with minimal impact on the selling price.
- In extreme cases, illiquid bonds remain unsold for long periods or must be sold at a discount.

Liquid Domestic Government Bond Markets

- Establish “risk free” reference yield curves
- Facilitate cost-effective risk management
- Support the development of sound corporate debt capital markets
- Support the development of sound money markets

Liquid Domestic Government Bond Markets

- Create “risk free” assets to meet regulatory liquidity requirements
- Allow optimal bank liquidity management
- Act as shock absorbers in a crisis
- Lower systemic risk

Liquid Domestic Government Bond Markets

- Promote the development of institutional savings sectors
- Lower government funding costs
- Precede full capital account convertibility

Seven Basic Requirements of Liquid Government Bond Markets

1. Disciplined issuance and reissuance programs to support large benchmark issues
2. Liquid “classic” term repo markets, with the ability to short sell government bonds easily
3. Active, liquid government bond futures markets
4. A broad range of liquid OTC derivatives contracts and exchange-traded derivatives contracts

Seven Basic Requirements of Liquid Government Bond Markets (cont.)

5. High-quality, efficient, and cost-effective electronic price discovery, trading, clearing and settlement platforms
6. A broad, active domestic and foreign investor base
7. Market friendly regulatory, accounting and tax regimes: no withholding tax and no transaction taxes

ASIFMA's Mission

ASIFMA promotes the development of liquid, efficient and transparent capital markets in Asia and facilitates their orderly integration into the global financial system.

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- Responds to requests for information and viewpoints from central bankers, regulators and other government officials based on the collective input from members and data gathered from other industry sources
- Organizes industry-sponsored events, seminars, conferences, training forums, surveys and research of interest to market participants and other relevant parties
- Promotes the development and implementation of industry best practices, including the use of standardized documentation wherever practical
- Facilitates communication among market participants to promote the development and exchange of ideas and information related to enhancing capital markets in Asia
- Monitors and informs members, regulators and other market participants, as appropriate, about significant developments in regional capital markets, including future trends