

# *Secondary Market Debt Trading*

A few key elements for continuous and  
efficient secondary market debt  
trading

# The Market Makers

- Design balanced incentive plans to motivate active participation of dealers in the market:
  - Define jointly clear and flexible rules of marking making
  - Various forms of compensation: Concentrate on performance
- Create and motivate competition among primary dealers: League Tables.
  - Physic income (Every one is number one)
  - Develop fair and easily measured parameters

# The Market Makers

- The government issuer must continue to develop and support the the Benchmark Yield curve in an orderly basis (responding, mainly, to the stages of development of the market)
- Promote the development of financial products to allow market participants to distribute financial risk in an efficient manner.
  - Introduce effective controls: accounting, trading account, risks management, capital adequacy, floating rate reference, establish trading guidelines, etc.

# The Market Makers

- Transparency in the market place is always key:  
*No substitute for a well develop securities law and the institutions to support them.*
- Minimum transaction costs
  - Electronic Trading (Government should own tech/platform, better control of information)
  - Clear Debt issuance calendar
  - Central Bank Clearings and Settlements, One Central Depository, standard documentation

# The Market Makers

- The cost of establishing an effective domestic debt market is high, takes time to implement and there are no guarantees of success. The routes and alternatives must be carefully studied.
- Domestic markets should always be the long term alternative for any country.
  - Communication channel between onshore and offshore investors.