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### CFS Survey of Investors, Bankers, and Academics: Corporate Bond Market Liquidity and Exchange Traded Funds (ETFs)

Conducted: February 13 - 25, 2019

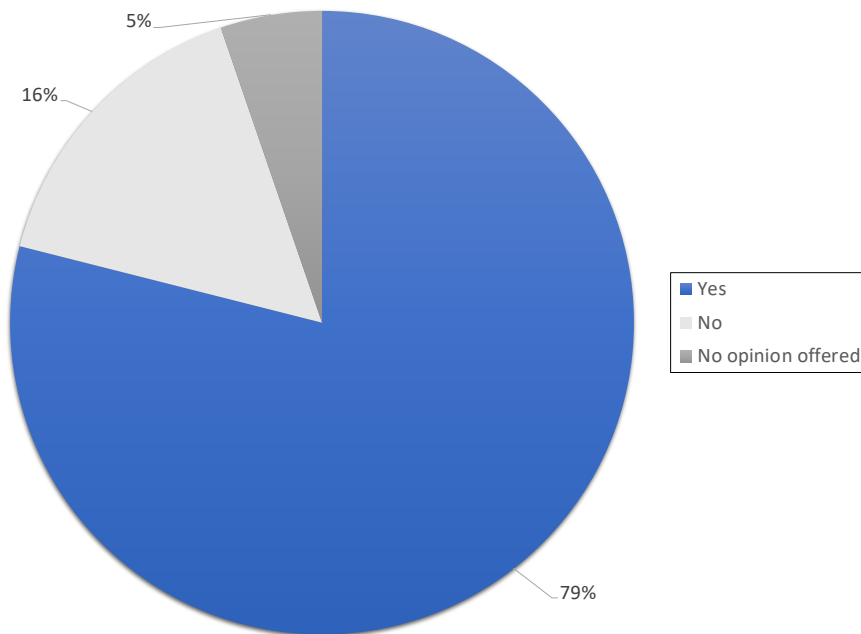
Opinion on Exchange Traded Funds (ETFs), U.S. corporate bond market liquidity, and potential financial stability consequences is often amorphous and challenging. Strongly differentiated opinions existed among knowledgeable observers. Hence, CFS surveyed highly knowledgeable participants in academia, investment management, and banking via targeted outreach. Questions were worded precisely – but with substantial room for the responder to freely highlight elements of greatest importance to him or her. This create a “revealed preference” on issues in addition to direct responses. **Conclusions suggest that greater knowledge regarding ETFs and their impact on the financial system is vital.**

*Survey participants were assured that comments would not be attributed to them or their institutions. Responses were held in strict confidence. They graciously and generously shared their time and insight.*

Two astonishing results surfaced. They included:

- Did the survey participant voluntarily raise concern regarding problems with liquidity in the corporate bond market?

**Figure 1. Is there a problem with Corporate Bond Market Liquidity?**



Source: Center for Financial Stability - Survey conducted by the Center for Financial Stability between February 13 and February 25, 2019.



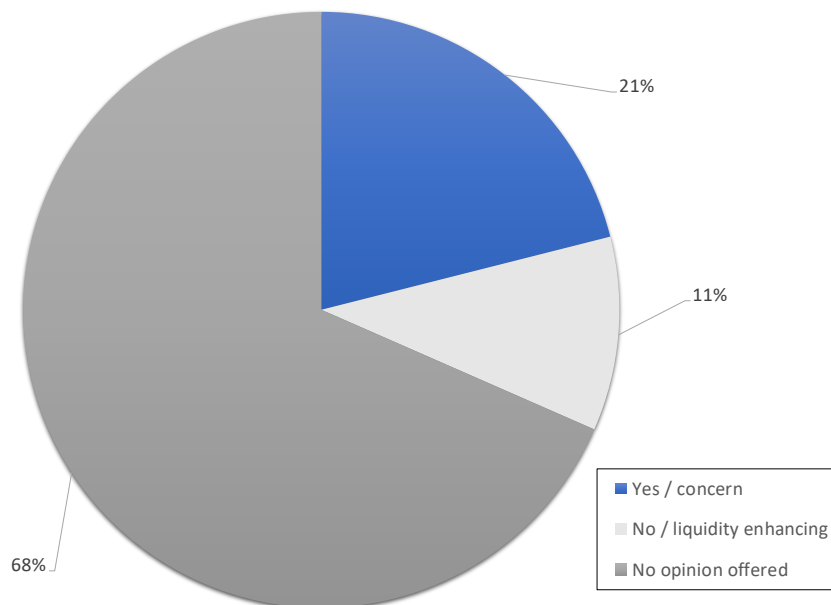
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Survey participants demonstrated extreme certainty regarding limited liquidity in the corporate bond market. The “yes” response was strong - with 79% of the respondents indicating problematic liquidity conditions in the corporate bond market. Only 16% of the participants indicated that there was no problem, while a scant 5% did not offer an opinion. In other words, the surveyed group held a strong opinion with very little ambiguity.

- Did the survey participant voluntarily raise concern regarding the role of Exchange Traded Fund (ETF) products on corporate bond market liquidity, suggest ETFs are liquidity enhancing, or offer no opinion?

**Figure 2. Do ETFs pose a problem for Corporate Bond Market Liquidity?**



Source: Center for Financial Stability - Survey conducted by the Center for Financial Stability between February 13 and February 25, 2019.

In contrast, survey participants demonstrated deep uncertainty regarding the role of ETFs on corporate bond market liquidity. A full 68% of the survey responders offered no opinion regarding the role of ETFs on market liquidity. Of the remainder, 21% believed that ETFs added to liquidity risks into the future, while 11% noted that ETFs enhance corporate bond market liquidity conditions.



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