Market participants and regulators across the financial services industry recognize the importance of measuring asset liquidity, but the lack of public market data to calibrate liquidity models continues to be a challenge in achieving meaningful measurement. The Liquidity Observatory intends to gather relevant information from industry participants, through a monthly survey, in order to provide transparency into the characteristics of market liquidity of assets that are not available from standard market data.

Starting with bonds as an asset class and through a proprietary and intuitive questionnaire, the monthly survey collects liquidity data from traders and other asset class experts. The aggregate liquidity data is then made available to participants.

**KEY BENEFITS**

The Liquidity Observatory provides access to:

- A source of reliable and independent assessment of market liquidity
- An intuitive questionnaire designed to capture a complete description of bond liquidity
- Liquidity horizon profiling consistent with AIFMD and Form PF regulatory requirements
- Global and broad coverage of bond types through approximately 170 bond categories
- Liquidity analytics research from MSCI

Participants of the Liquidity Observatory will receive preferential access to:

- Bond Liquidity Measure (BLM) package with bid-ask spread data for 220,000 bonds
- Aggregate liquidity data within RiskManager’s LiquidityMetrics module or in flat file format

**THE LIQUIDITY OBSERVATORY QUESTIONNAIRE**

For the collection of liquidity information, MSCI worked with industry participants to develop an intuitive questionnaire and capture the right aspects of liquidity in a streamlined fashion. The questionnaire covers global and broad bond types through approximately 170 bond categories, including:

- Corporate
- Sovereign
- Supranational
- Sub-sovereign
- Convertible

Capturing the right aspects of bond liquidity.
The questionnaire also captures specific information for each category to describe the transaction cost profile of trading an individual asset within a category, including:

- Description of the Market Impact Curve for orders executed within one day, calibrated using a small number of intuitive parameters and covering both bid and ask sides.
- Relaxation Time expressed in days that represent the elasticity of the market and measure the speed at which the market is able to regenerate removed liquidity.
- Representative Bid-Ask Spread to model transaction cost estimates at small institutional sizes.

**HASSLE-FREE PROCESS**

- MSCI provides training to potential participants.
- Participants sign a separate agreement for Liquidity Observatory. Please note that participants only contribute to categories of interest and experience.
- Data is submitted on a monthly basis.
- MSCI aggregates the data.
- After receiving a critical mass of contributions, MSCI distributes the aggregate data back to the participants and feeds the data to LiquidityMetrics.

**ABOUT MSCI**

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research. Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research. MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking. For more information, visit us at www.msci.com.

The information contained herein (the “Information”) may not be reproduced or redisseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided “as is” and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN “MSCI PARTY”) MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2015 MSCI Inc. All rights reserved | CFS1115