ICMA report shows innovative technologies and new market entrants shaping the electronic bond trading landscape in Europe

(London, UK) A new report, from the International Capital Market Association, shows that the way bonds are traded in Europe is undergoing a period of intense, evolutionary change in response to pressure from regulation and Fintech developments. The report identifies new strategies that are emerging for both buy and sell side participants trading in this market and the options available to platforms and technology providers in the new environment.

The report highlights a number of factors eroding the traditional bond trading model which is mostly reliant on market makers and voice-broking: technological progress; the drive for cost efficiency; and regulatory pressures, such as Basel III, undermining broker-dealers’ capacity to hold, finance, or hedge trading positions. MiFID II is also driving change in trading practices and market structure, spurring technological advance to create more efficient and effective trading models. This is driving an increase in the electronification of the market.

Brett Chappell, Head of Fixed Income Trading, Nordea Asset Management, said: “This paper is of tremendous use for those who endeavour to get their heads wrapped around the sheer complexity of the changes afoot. Written in clear and concise language, it will allow decision makers to put into place strategic and budgetary choices necessary to meet the changing market place.”

Firms are already re-shaping business strategies due to lack of returns in fixed income, consolidating their businesses, relying on reduced trading and sales teams while using electronic trading platforms to reach more investors. Automation of European trading in secondary markets cash bonds is focusing on efficiency, optimisation and sourcing liquidity.

There is recognition that with this change comes opportunity. The report also highlights the opportunities thrown up by this evolving trading landscape, and describes the characteristics of new entrants, the systems, technologies and protocols that are emerging and the attributes needed by incumbents if they are to remain relevant. It also discusses the HR impacts of the new technologies.

Download a copy of ‘Evolutionary change: the future of electronic trading in European cash bonds’.
Contact details for further information

Allan Malvar                  Margaret Wilkinson
+44 20 7213 0322              +44 20 7213 0323
+44 7738 696 451              +44 7931 100 499
allan.malvar@icmagroup.org   margaret.wilkinson@icmagroup.org

International Capital Market Association (ICMA)

ICMA is the trade association for the international capital market with almost 500 member firms from 58 countries, including banks, issuers, asset managers, infrastructure providers and law firms. It performs a crucial central role in the market by providing industry-driven standards and recommendations for issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with regulatory and governmental authorities, both at the national and supranational level, to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market www.icmagroup.org