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ICMA
International Capital Market Association

Bond Market Axe Distribution in Europe

An ICMA and FIX Trading Community White Paper

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Background

Axes are a key element of pre-trade transparency that help to facilitate the efficient transfer of risk from dealers while supporting best execution for investors. Underpinning the successful application of axes is clear, safe, and efficient communication between dealer and client, which can be challenging to achieve, especially in the context of bond trading on electronic trading platforms.

ICMA had previously worked with its sell and buy-side secondary market constituents to improve the integrity of axe distribution in bond markets.[1] While the initiative agreed upon a definition of axes, along with a number of other forms of pre-trade price distribution protocols, it did not propose related market best practice. FIX Trading Community (FIX) has played a key role in establishing data fields related to the electronic dissemination of axes in the equity market and has recently undertaken to identify possibly similar enhancements for bond market axes. FIX's work will build on its existing FIX Recommended Practices on Bond Trading as well as its Best Practices for Bonds – Pre-Trade Indications from 2014/15. Those recommended/best practices have seen varying levels of industry adoption over the past decade. In both cases, these initiatives have been in response to concerns from market participants about the quality, and therefore usefulness, of bond axes and related market behaviours.

Following an exploratory FIX workshop on the topic in May 2025, ICMA and FIX agreed to work together to explore the current state of electronic bond market axe distribution, to identify any deficiencies and their causes, and to work with the market to propose possible enhancements. This white paper is the first step of this process, based on the discussions from the initial FIX workshop and subsequent joint ICMA[2]-FIX Working Group calls, as well as bilateral outreach to both the sell and buy-side trading community. While the paper does not set out recommendations to improve axe data quality and practices, it is hoped that a better understanding and articulation of the current challenges and experiences of market participants at least paves the way for deeper discussion about possible solutions.

What is an axe?

An axe (derived from "axe to grind") is a specific interest that a market participant has to buy or sell securities. In the case of dealers, an axe usually relates to a long or short risk position that they are looking to offload or cover, or it could be based on a client order that they have been actioned to work. For investors, dealer axes are of particular interest since they provide the opportunity to trade within the bid-ask spread and often in larger than normal market size. The definition of an axe, according to the ICMA industry guide, is provided in the following table:

ICMA standardised bond pricing distribution terminology (May 2021): **Axes**	
Direction:	Bid or offer
Price/Quote:	Optional to publish / Indicative state
Size:	Mandatory to publish / Indicative state (but ideally firm)
Trade interest:	Committed
Good until:	Cancelled

Historically, dealers would share axes with targeted clients via their sales desk, perhaps based on clients' previous interests and orders, or presented to clients as an opportunity to switch out of similar holdings in their portfolio for additional yield pick-up, credit diversification, or a change in duration. In recent years, as markets have become more electronified and automated, and following a trend already well established in the equity market, asset managers and other investors are increasingly demanding that bond axes, particularly in credit, are also communicated electronically. Trading venues and platform providers, accordingly, provide protocols that allow dealers to post their axes, usually anonymously, to potential counterparts.

1 See: Industry guide to definitions and best practice for bond pricing distribution, ICMA, May 2021
2 ICMA engagement in the initiative is through its Electronic Trading Working Group (ETWG)

From equities to bonds

Equity markets, mainly due to their highly centralised and standardised nature, have enjoyed the efficiencies of electronic trading for much longer than the inherently heterogeneous, over-the-counter bond markets. This has allowed for a more standardised structure around pre-trade transparency to evolve, including the information communicated around axes, including price, directions, size, firm or indicative, and even whether the axe is inventory or position based. These additional data fields help buy-side traders (or their order and execution management systems) optimise their order execution while also facilitating the offloading of risk (or filling of client orders) for sell-side dealers.

As the electronic bond trading ecosystem looks to other markets to propagate its evolution, and with some buy-side trading desks becoming increasingly multi-asset, there is a growing expectation that bond markets adopt the standards, protocols, and practices that characterise equity markets. The challenge, as identified by a number of market participants, is how to apply an equity market model to a market that is inherently illiquid, heavily dependent on dealer intermediation, and highly sensitive to information leakage.

What is an axe, really?

The discussion around bond market axes reveals a common frustration among many buy-sides about the reliability of sell-side axes.[3] In particular, is the axe being communicated based on an actual trading position (long or short)? For some buy-sides, this is an important consideration, not least if they are looking to work an order that is larger than the size being shown by the dealer. For the sake of a better dealer-client relationship it is in nobody's interest if the client takes their broker short and continues to move the market higher with subsequent purchases. In pre-electronic times, this concern would have been part of a bilateral conversation with the dealer, who would then have had the option to execute purely against inventory or, should they wish, to fill the entire order. But this type of discussion is more difficult to replicate electronically.

It is a similar scenario for client orders given to dealers, which can also constitute an axe. Without getting the dealer on the phone, it is difficult to know how firm is the order, whether it is subject to a call, its full size, or what room, if any, the dealer may have on the price.

A further complaint is the practice of dealers posting axes on venues which are not considered genuine axes by some buy-side firms. This is often illustrated by the fact that dealers will post axes on both the bid and offer side of the market. While the quoted prices and sizes may be executable, the view of many is that these are 'markets' (or 'runs'), not axes, and should be identified as such. That is not to undermine the role and value of market making, particularly in supporting price discovery, but axes are a very different proposition. Many attribute this sell-side behaviour to smart dealer selection algorithms employed by trading venues to route request for quotes (RFQs). Flagged axes are a key parameter in the rules-based logic, which naturally incentivises dealers to show "axes" in everything they trade. In other words, axes become redundant and are indistinguishable from market runs.

A common suggestion to help restore the integrity of axes is at least to limit the ability of dealers to flag an axe on one side of the market, whether the bid or offer, since, depending on your position or specific client orders, you would naturally be a better buyer or seller, and not both. Some dealers counter that two-way axes are possible, particularly in the days immediately after a new bond issuance, where they are equally happy taking both sides of the trade, and often in size. While many seem to accept this view, it relates to a very specific and readily identifiable context.

A further justification for two-way axes could be where the dealer is looking to offload a position on one side (eg sell out of a position of 7.5mn) but is equally happy to build the position to a more tradeable lot size (say bid for 2.5mn). The distinction here would be that the offer is inventory-based, while the bid is not.

3 One platform commented that they receive around 270,00 different line items today that are labelled as "axes"

Dealers posit a similar argument for a position generating axes in other bonds, which are driven by the option of hedging (for instanced different maturities in the same name intended to neutralise curve risk), as an alternative to unwinding the trade.

Perhaps another source of confusion is where dealers are running both algo books and trader books in parallel, which generate axes across the different books, possibly resulting in different axes being shown in the same bond. This has led to the buy-side suggestion of an additional data field to indicate whether axes are algo-based or not. Some sell-sides, aware of this issue, are looking to aggregate their axes into a single interest.

While some sell-sides are sympathetic to the frustrations articulated by buy-sides, and would also like to explore more efficient means of communicating their axes, there is also a suggestion that the demands are unreasonable, arguing that as long as the dealer quotes a price and stands by this "axe" in its quoted size, it is irrelevant whether the axe is against inventory or an order, or even if it is a one-way or two-way axe. Furthermore, a skew in the price already indicates which way the dealer is axed. Whether the axe can then be built on, in size or not, should remain at the dealer's discretion Although this seems to corroborate the wider view that axes are no longer distinguishable from markets. At the very least, some argue, dealer axes should be larger than "social size".

On the other hand, not all buy-sides are as concerned by "faux axes" (noting that one asset manager suggested that as many as 50% of the axes they see are not real). Some use their own proprietary analytics to monitor dealer performance across bond classes and sectors which informs their counterparty selection, as well as providing feedback to the dealers themselves. Furthermore, the importance of axes depends on the type of investor. For passive funds, data points such as slippage and hit rates are important considerations for underpinning best execution, while for active managers the main driver is alpha generation, and here axes, and the reliability of axes, play an important role.

Information leakage

The single most common limiting factor when it comes to sell-side dealers sharing axes electronically is information leakage. It is a simple fact that revealing a sensitive bond risk position to the wrong party, or the market more broadly, can move the market against them in anticipation of the unwind. It is a fundamental facet of principal-based, risk-intermediated markets and a justification for some degree of dealer information asymmetry (a realisation with which regulators have had to come to terms in designing post-trade bond transparency frameworks). Unlike in the days before electronification, dealers, via their sales desks, had some control over what information they shared and with whom. The call would go to trusted clients where there may be an interest, rather than spraying the street. Piping axes through venues undermines this control. Furthermore, a number of dealers even raise a concern that some of the axe information being disseminated electronically is being sold on to other parties without their knowledge.

Putting tighter controls around axe information to limit data seepage should help. While there are possibly some thorny discussions to be had around data ownership and contractual rights, a more direct remedy that has been floated is regulatory intervention. Just as laws such as MAR restrict market participants' ability to act on specific non-public information, why not make it illegal to sell certain data?

Another solution could be increased direct connectivity between dealers and their clients, negating the need for platforms to share axes electronically, and allowing sell-sides to route axes and related data fields directly into the OMS/EMS of their chosen buy-sides; essentially automating the old-school process for axe dissemination. However, establishing direct connectivity is expensive, both for dealer banks and their clients, and therefore not for everybody.

Meanwhile, information leakage can be as much a concern for buy-sides who want to route their orders to the dealer or dealers most likely to fill their request in the most efficient and cost-effective way. This means sharing their interest with as few dealers as possible, and where reliable data around axes allows them to achieve this goal. Revealing their hand to sell-sides with no genuine axe, or worse, who may be axed the same way, runs the risk of "blowing up" the trade, even before the order is placed.

Whose axe is it anyway?

Perhaps one dynamic that needs to be considered when thinking about the electronification of axes is who drives the interest? When reflecting on the historical, pre-venue paradigm, dealer axes were very much the catalyst for client activity. Based on previous interests, buy-sides might respond to axes that may be in a similar name, sector, or credit. Or it could be presented as an opportunity to switch out of an existing, similar holding into something offering better relative value (providing a 'pick up'). In turn, this would provide the dealer with a new axe to peddle, and more clients to call.

But discussions on the topic suggest that it is no longer the dealers' axes that drive the flow. Rather, buy-side portfolio managers and traders decide on which bond they want to trade and what size they want to buy or sell. Their goal is then to find the most efficient way to execute, with the fewest tickets and minimum price slippage. This is where not only visibility of axes across all their dealer counterparties is key, but additional data fields and further granularity can point their OMS/EMS to direct the optimal RFQ.

Conclusion

The communication of axes is an important element of pre-trade transparency for bond markets and a critical source of liquidity. For investors they provide the opportunity to transact inside the bid-ask spread and/or in larger than standard size. For dealers, it is an efficient means to recycle their risk. In theory, everyone wins. In these respects, axes are much more than a firm price. However, translating this age-old process into the new world of electronic trading is proving more difficult than for other protocols. At the core of this challenge is the risk of information leakage, both for sell and buy-sides. And as much as additional data fields and flags around electronic axes can create reliability and efficiency, they can also expose dealers to additional risk. It would therefore be useful to explore better ways to present axes electronically, both on and outside trading venues.

Ultimately, the successful functioning of axe distribution rests on trust between the sender and the receiver. Both need to feel in control of what is communicated and to whom. Without this, there is little incentive to share potentially sensitive data, so ensuring that on venue, at least, the concept of axes remains largely notional.

About the International Capital Market Association (ICMA):

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association serving around 640 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.
www.icmagroup.org

About FIX Trading Community:

The FIX Trading Community is the only independent global community where capital markets firms come together to solve common issues and shape the evolution of capital markets. FIX groups in over 60 countries are working on a range of global issues including digital assets; reference data; carbon trading; AI; algo trading; FICC and ETFs, while country and regional committees work together to manage local regulation and market structure matters.

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