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TABB Group Research Recognizes Network Effects and Buy-side Participation as Keys to Unlocking Liquidity in the Corporate Bond Market

NEW YORK & LONDON, April 25, 2016 – Liquidity in the U.S. [corporate bond market](#) is deteriorating and a paradigm shift is underway in credit trading and other fixed income businesses. This evolution was spurred by the increasing operational difficulties banks are having in their efforts to provision liquidity and transfer risk through traditional means. TABB Group’s research, “[Unlocking Liquidity: Leveraging the Network Effect in OTC Bond Trading](#),” uncovers how this environment transformation may play out, taking into consideration the roles that banks, the buy-side and trading platforms will play.

TABB examines the notion of networks in today’s U.S. corporate bond market and their impact on the distribution of liquidity, explaining that the structural imbalance that has been created by the larger asset owning community being serviced by an increasingly smaller liquidity providing community has led many to believe that the key to unlocking liquidity lies with the ability to connect asset owners to one another.

Report author and TABB Group global head of research and consulting [Anthony Perrotta](#) illustrates that as market structure shifts, businesses will need to adapt to maintain market share or they will risk losing their hold to start-ups. Although incumbent platforms have the leverage of established networks, their protocol limitations simultaneously prevent them from alleviating the particular issues currently ailing the market. Disruptive platforms are taking advantage of the oversight made by those currently in place of having not made a network presence known.

“There is a shifting balance of power and the ability to solve the liquidity conundrum will come down to proactive participation from the buy-side,” says Perrotta. “The value of a network is totally predicated on the amount of input emanating from those involved. As the market continues to evolve, a thorough understanding of the difference between utilizing a network or network effects is going to be a prerequisite for those needing to adapt.”

The U.S. corporate bond market is moving towards an order-driven structure, making all-to-all platforms increasingly more valuable to market participants, explains TABB. They will rise to a much bigger role in the enhancement of bond market liquidity as technology differentiation and the ability to coalesce participants in the market becomes a priority to ensure a service provider’s success.

The 12-page, 4-exhibit report is now available for download by TABB fixed income clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the report, contact info@tabbgroup.com.

About TABB Group

With offices in New York and London, [TABB Group](#) is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, “first-person knowledge” research methodology developed by Larry Tabb. For more information, visit www.tabbgroup.com.

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