



## **A TREE FALLS IN THE FOREST: ILLUMINATING THE TRUE COSTS OF CORPORATE BOND ELECTRONIC TRADING**

**Started from the bottom now we're here**

It is hard to imagine today, but in the not so distant past, there was a lively debate regarding the usefulness of electronic trading in the corporate bond market.

Gradually, as key developments like the introduction of List RFQs by MarketAxess illustrated the potential market-wide benefits of electronic trading, the tectonic plates that upheld the traditional concept of corporate bond trading shifted. Currently, electronic corporate bond trading has not only evolved to become an essential component for secondary trading, eTrading is considered by many to be the [panacea for resolving the perceived corporate bond liquidity crisis](#).

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**What does it cost  
to trade corporate  
bonds  
electronically?**

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**Why does it  
matter more than  
ever?**

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## The \$64,000 Question (needs adjustment for inflation)

The value proposition for corporate bond electronic trading has been most compelling for large, buy-side institutions. Therefore, it is no surprise that [increasing eTrading adoption is a priority for many major asset managers](#). However, at the core of this strategy is a lingering question that grows more important with each year that electronic trading becomes more established:

### What does it cost to trade corporate bonds electronically?

It is very surprising that as buy-side institutions laud corporate bond electronic trading, very few fixed income asset managers know the true details of their transaction costs. In other modernized markets like equities, asset managers must be intimately aware of transaction cost details for electronic trading for two crucial reasons:

- 1) Electronic transaction fees can have a material impact on fund performance
- 2) Finding the best possible price for electronic trading is a part of the “reasonable diligence” mandated by [FINRA’s best execution requirements](#)

For buy-side institutions to properly incorporate electronic trading into their long-term strategy for corporate bond trading, the current blind spot regarding the true costs of electronic trading must be resolved.

If you are someone who does not know what you paid to trade corporate bonds electronically in 2016, or worse, thinks that buy-side transaction fees don’t exist, this is required reading.....([click for access to the full article](#))

