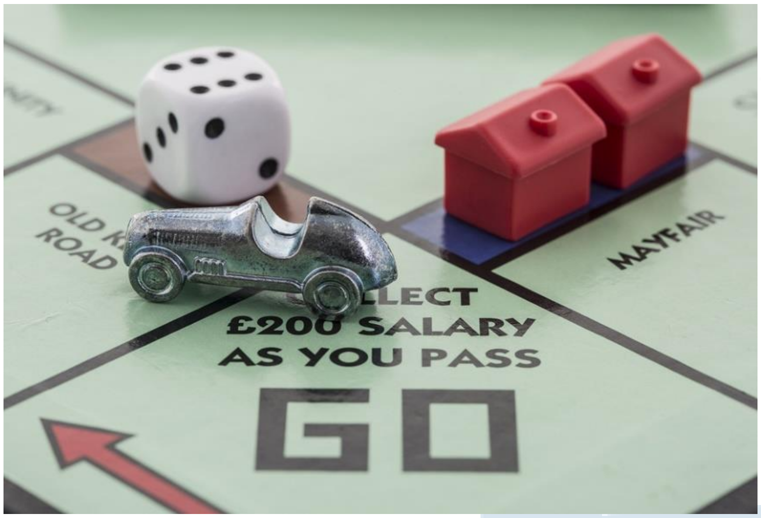
The Inside Market January 2019

A few weeks ago, BondCliQ launched the first consolidated quote system for the US corporate bond market. This is just another step on a journey that has required over three years of hard work but it feels great to transition from concept to product. For some time now, institutional market participants have been searching in earnest for the tools that will help them adapt to a market that looks quite different than 10 years ago. This demand has created a period of rapid innovation, with many new ideas and platforms. The amount of effort it takes an organization to meaningfully evaluate an individual vendor is non-trivial. Therefore, as a new solution provider, we intend to make your assessment process easier by clearly and consistently articulating our approach to improving the US corporate bond market through our monthly blog post (A BondCliQ View). This post will touch on just a few topics, but there will be many more to come. To be clear, **this forum WILL NOT be used to talk in detail about the BondCliQ product**. We have a nice website for that thank you (www.bondcliq.com). Your feedback, criticisms, thoughts, and of course, encouragement are welcome. Feel free to comment openly or directly to me (chris@bondcliq.com).

Platforms Are Consolidating? Really?

Every new year brings with it a slew of predictions about the trends that will dominate the next 12 months. For the US corporate bond market, this process involves a slew of articles, opinion pieces, and research meant to identify the coming trends that will change the market. One prediction for 2019 really caught my attention: Corporate Bond Trading Platforms Are Going to Face Consolidation. There are several interesting components to this perspective, the first of which is the underlying thesis that customers aren't interested in having to connect with multiple platforms. **There is a nuance here that needs greater attention. Despite an abundance of FIX API feeds from individual platforms, there is no "out of the box" solution in the US corporate bond market that provides seamless connectivity across all platforms, so customers are rightfully daunted by the prospect of doing it themselves.** Perhaps this fear is being misinterpreted as a lack of interest in new platforms, but I doubt it. If there was less friction to combining multiple platforms, market participants would absolutely welcome more electronic liquidity pools. This is especially the case for the corporate bond market makers who are most negatively impacted by the lack of competition in the electronic trading space.



The next component of the platform consolidation prediction is that fewer solutions would provide better liquidity and data in the long run. There is history here that needs to be referenced because this exact debate was held in the US equity market about 50 years ago. At that time, the future of the market was in doubt because of a persistent lack of institutional liquidity (sounds familiar no?). The argument was whether a regulated monopoly (NYSE) or free competition would lead to a better secondary trading environment. **Free competition won because, in the long run, most people believed that a monopoly solution would create greater systemic risks with higher transaction costs**. Ultimately, the free competition supporters have been proven right. Electronic trading costs in the US equity market have never been lower and when there is an outage at any exchange, even the NYSE, the market keeps trading without a hitch. Meanwhile, the recent technology glitch at BrokerTec provides a preview of what could happen if the US corporate bond market adopts a monopoly solution approach.

Collaboration beats Consolidation

The BondCliQ approach to improving the US corporate bond market is to collaborate with other service providers to create transformative solutions. We view our centralized, institutional pricing data and data visualization application, BondTiQ, as being components of a better market. Our products are designed to be interoperable with electronic trading systems, EMS providers, OMS providers, and evaluated pricing services, so end-users and vendors can benefit from greater access to high-quality pricing data. We believe in the vision articulated by desktop operating systems like OpenFin and Finsemble and further echoed by platforms like Algomi that combining best-in-class solutions is the ideal model for the end user. Therefore, **my prediction for 2019 is that the desktop experience for US corporate bond market data and analytics will materially advance, while the user experience for electronic trading will remain stagnant due to lack of collaborative solutions.**

Competition and collaboration are the yeast in the dough of innovation. Without it, US corporate bond market participants will be very disappointed with what comes out of the oven in the next few years...ok, now I've made myself hungry.

-Chris White (CEO – BondCliQ)