Perpetual

# Fixed Income's digital leap into new opportunity

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As sure as death and taxes - modernising a market's technological architecture can cut costs and improve efficiency.

The global bond market is valued at approximately $114 trillion, yet financial advisors continue to face significant challenges when accessing fixed income opportunities. From market complexity and liquidity constraints to regulatory variations and technological adaptation, navigating this landscape is no small feat. However, digital innovation is unlocking new potential, allowing advisors to streamline operations and better serve their clients.

## The challenges

### Market complexity and fragmentation

The fixed income market encompasses various instruments, including government bonds, corporate bonds, and mortgage-backed securities. Each has distinct characteristics, maturities, and credit risks, making comprehensive analysis complex. Additionally, bond trading is often conducted over-the-counter (OTC), leading to fragmented liquidity and inconsistent pricing information.

### Regulatory variations

Different jurisdictions have unique regulations governing bond issuance, trading, and taxation. Compliance challenges arise when navigating these variations, particularly in cross-border investments.

### Liquidity constraints

Certain segments, such as high-yield corporate bonds or emerging market bonds, may have limited liquidity. This can make it difficult for advisors to execute trades efficiently, potentially impacting prices and investment performance.

### Credit risk assessment

Evaluating the creditworthiness of issuers is crucial to mitigate default risks. However, inconsistent financial disclosures across markets create additional hurdles for advisors.

### Technological adaptation

The rise of electronic trading is reshaping the bond market. Advisors must embrace these advancements to maintain a competitive edge and access new opportunities.

## The Solution: Embracing digital transformation

The fixed income market is undergoing a major shift toward digital solutions, enabling investors to purchase global securities in smaller parcels and broadening market accessibility.

Electronic trading has already revolutionised the sector, but what's next for fixed income investment for the Australian Private Wealth and Advisory sector?

In an era of economic volatility and evolving regulations, embracing technological innovation is key to mitigating uncertainty. Perpetual Corporate Trust (PCT) has deep expertise in helping Australia's financial sector digitise for market success. In 2024, PCT's innovation arm, Perpetual Digital, was recognised by the Australian Financial Review as one of Australia's most innovative companies.

### Fixed Income Intelligence: A new SaaS income opportunity for wealth managers

Perpetual Corporate Trust, in collaboration with BondAdviser, has launched a unique end-to-end platform that allows fixed income investors to purchase global securities in smaller parcels, opening global market to a broader range of investors. This open-architecture platform enables advisors to:

- Search for products and portfolio construction with ease
- Execute and settle trades seamlessly
- Generate investment reports efficiently

Additionally, all bonds are held in safe custody and managed by PCT's Custody team, ensuring compliance with regulatory standards for banking, insurance, and superannuation industries. By automating traditionally manual processes, the platform reduces operational risk and enhances efficiency.

### A new way of thinking

Transitioning to a digital operating platform isn't just about purchasing new technology—it requires a cultural shift across management, technology, and operations. A successful digital transformation involves rethinking how organisations partner with trusted experts, develop products, and implement new solutions.

By leveraging Fixed Income Intelligence, advisors can modernise their approach to fixed income investing, improving efficiency, reducing risk, and enhancing client outcomes by giving them the ability to hold individual bonds in parcel sizes as small as $10,000 (which in turn allows them to have a diversified bond portfolio). In today's fast-changing market, digital transformation isn't just an option—it's a necessity.

For more information on Perpetual's Fixed Income Intelligence solution please contact Emily Boden at emily.boden@perpetual.com.au