Widening access to corporate bonds

Stacey Parsons reflects on the Financial Conduct Authority's recent proposals and its ambitions to deliver broader growth and investment opportunities.

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As interest rates have risen, investors have sought to create diversified portfolios alongside an ageing risk-averse population. UK investors have increasingly looked to UK capital markets to generate much needed income for their investment portfolios, seeking access to bonds. The shift in rate cycles has raised an important question from our investor community: Can I directly invest in bonds to generate income for my portfolio?

The answer is well-known to many of us in the fixed income markets, and it has for some time been a straightforward reply. Unfortunately, you cannot directly access investment grade bonds; but why not buy a bond fund?

Said questions coincided with London Capital and Finance hitting the headlines; investors had entrusted £235m of their life savings, only to face catastrophic collapse, followed by similar issues with Blackmore Bonds and others.

How had the 'regulated' market got this so wrong? After all, investors can buy triple leveraged ETFs in many currencies, the equity of a listed company in the UK or abroad, or even crypto! Why not an investment grade corporate bond?

Expanding the pool

It became evident that regulation, and its unintended consequences, had created numerous barriers; increased costs and reputational risks; and had led to inefficiencies in the largest global market, debt.

This led to the harsh reality: why would any adviser, issuer, or bank choose to issue bonds to the market with a denomination lower than the wholesale threshold of 100,000, just to include retail and wealth investors?

After discussions with the largest wealth managers in the UK, it became clear that the access issue was not exclusive to 'smaller investors'. The denomination effect has hindered discretionary wealth fund managers' ability to generate retirement income as well.

And so the journey of Investor Access to Regulated Bonds (IARB), began in 2022. It was clear that to even consider a change in market narrative would be taboo. Why do retail, advised or non-advised need access to bonds? The system works perfectly well as it is: 'leave well alone' was the message.

However, upon deeper investigation, we found that innovative and forward-thinking listed issuers were receptive to this idea. They recognised the benefits of diversifying their bookbuild, the liquidity it could bring to their capital raises, and, most importantly, the broader societal benefits of financial inclusion to their communities, their staff and the UK. With the right safeguards, technology, and education, this change could benefit everyone.

Support of the FCA

Shifting entrenched mindsets was going to be a long journey. The IARB leadership team consider it akin to turning an oil tanker, as it became evident that regulation regimes like Packaged retail and insurance-based investment products (PRIIPs), key information documents (KIDs), and prospectus requirements had significantly hindered the ability for anyone to even consider a different pathway could exist.

The FCA have very much publicly supported the idea of increased access to bonds, with *Retail Access to Corporate Bonds* featuring in their recent public letter on growth from the regulator to the prime minister and chancellor to the exchequer, published in January 2025.

And within the FCA's recent consultation CP25/2, which closed on 14 March 2025, they sought to deliver a new framework that removes barriers, streamlines and reduces frictions, such as a proposing a 'Single Standard Prospectus', or creating a non-complex area of issuance to encourage smaller denominations.

This should result in cost reductions, increased investment opportunities, and enhance diversity and growth potential.

About IARB

With over 30 members to include the largest wealth and execution-only investment platforms in the UK, IARB continues to work with all market participants, to include regulators and government on enabling investor access to bonds. For details, contact info@IARB.co.uk or follow us on LinkedIn. ■