Perpetual knowledge bank series: Bond Issuer

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Bonds are issued as forms of tradable debt with the bond issuer being the borrower and the purchaser or bondholder the lender. Bond issuers are typically any organisation that registers, distributes and sells a bond on the primary market. The bond issuer pays periodic – usually annual or semi-annual – interest to the bondholders, and upon maturity, the issuer returns the principal amount borrowed to the holder of the bond.

Bond issuers may include companies, governments, supranational entities, municipalities, or Special Purpose Vehicles (SPV). However, corporate bonds issued by public or private companies looking to finance projects or raise working capital are the most common globally. In this example, the bond-issuing company gets the money they need while the bondholder should get a low-risk return on their investment. There are a wide variety of corporate bonds traded on the ASX with terms and credit worthiness that may differ quite markedly. It is therefore important that investors read the issuer's prospectus and term sheet for each individual bond or seek financial advice before investing.

The ASX also differentiates between two types of government bonds issued by the Australian Government: Treasury Bonds (or TBs) and Treasury Indexed Bonds (or TIBs). TBs are fixed rate bonds and TIBs are indexed bonds linked to the CPI. Both TBs and TIBs are usually issued in series with each series having its own coupon rate and maturity date, ranging from less than one year to over 25 years. Government issuers are generally considered less risky than corporate issuers.