



# **Tullett Prebon Electronic Broking**

14 June 2010

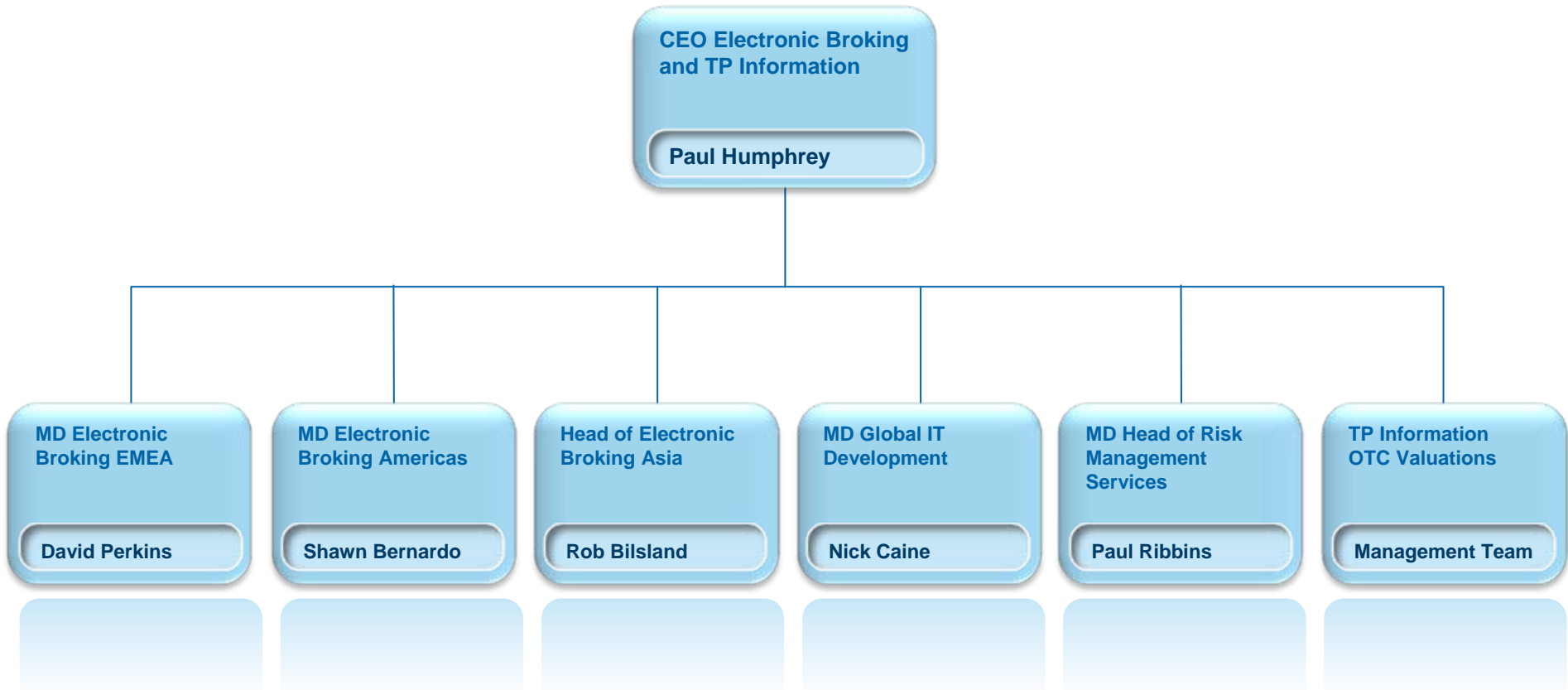


# Introduction

## **Tullett Prebon is well positioned to respond to market and regulatory developments**

- Not dependent on pure electronic platforms – inflexible and not ‘sticky’
- Hybrid electronic platforms better suited to most OTC products
- Voice liquidity essential to ‘electronification’ evolution

# Organisation



# Hybrid vs Pure Electronic

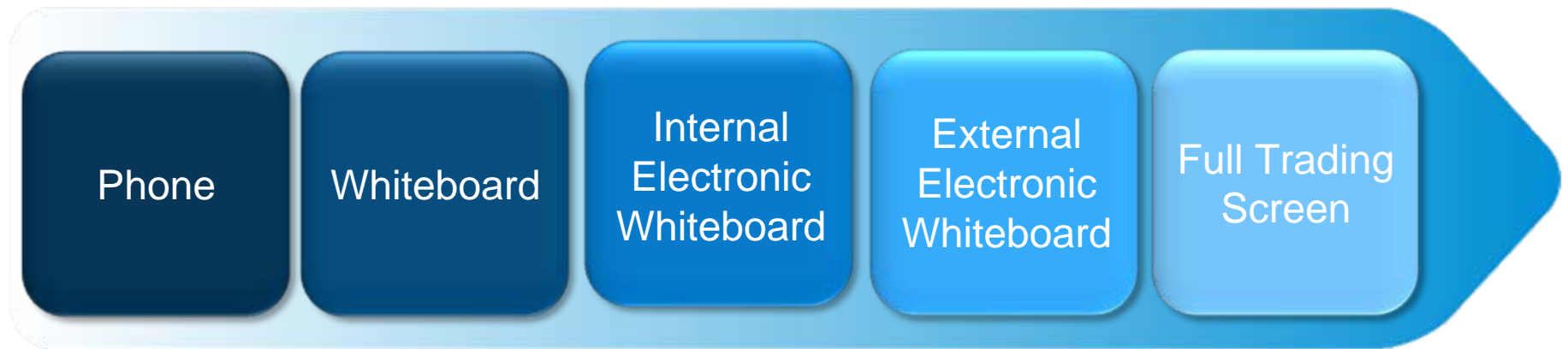
## Hybrid

- Electronic solutions operating together with voice brokers
- Model enables price and size discovery in those less liquid markets
- Enhances transparency and satisfies regulators and demystifies the OTC markets
- Hybrid revenues are 'sticky'
  - relationship based
- Hybrid model demanded by clients/brokers
- OTC markets lend themselves to the hybrid model – this complements the Tullett Prebon product portfolio
- Allows evolution to meet market requirements

## Pure Electronic

- Supplying just technology to a market
  - no broker involvement
- Serves only two significant products
  - *Spot FX (ICAP EBS, Reuters)*
  - *US Treasuries (ICAP BrokerTec, BGC eSpeed)*
- Vulnerable to attack by bank consortiums and exchanges

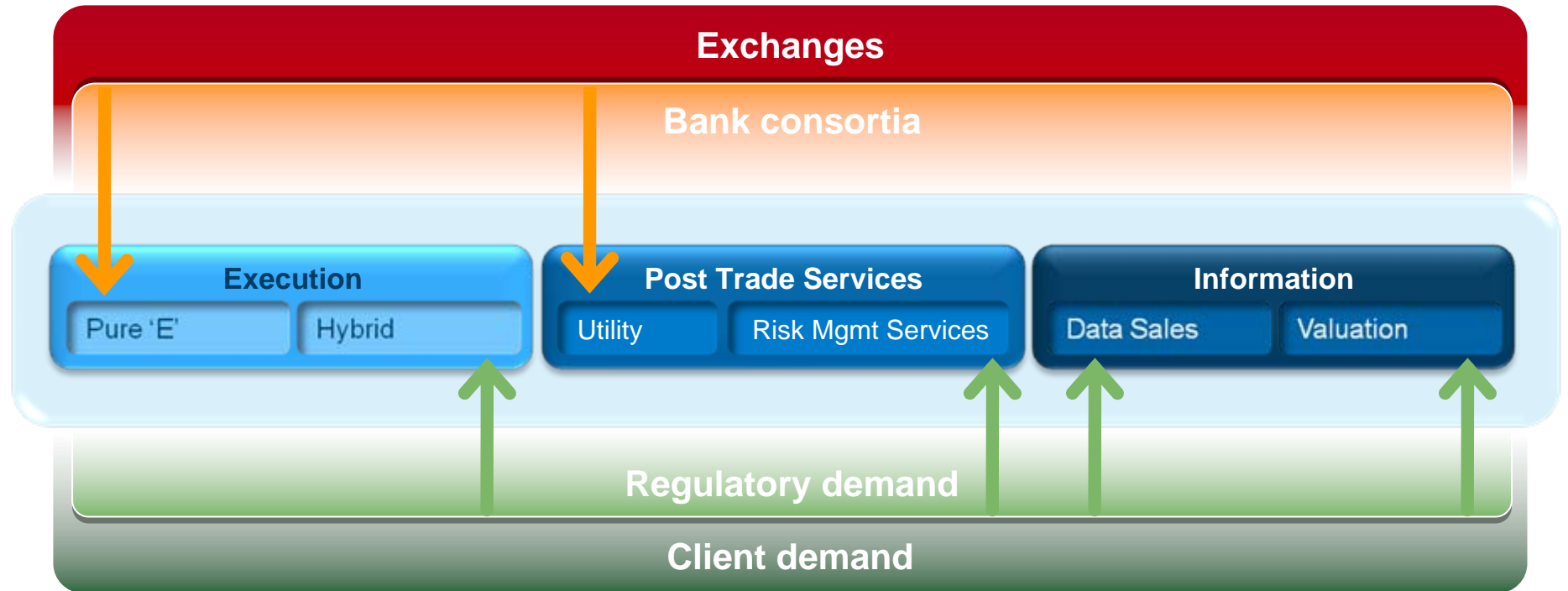
# Evolution of Electronic Platforms



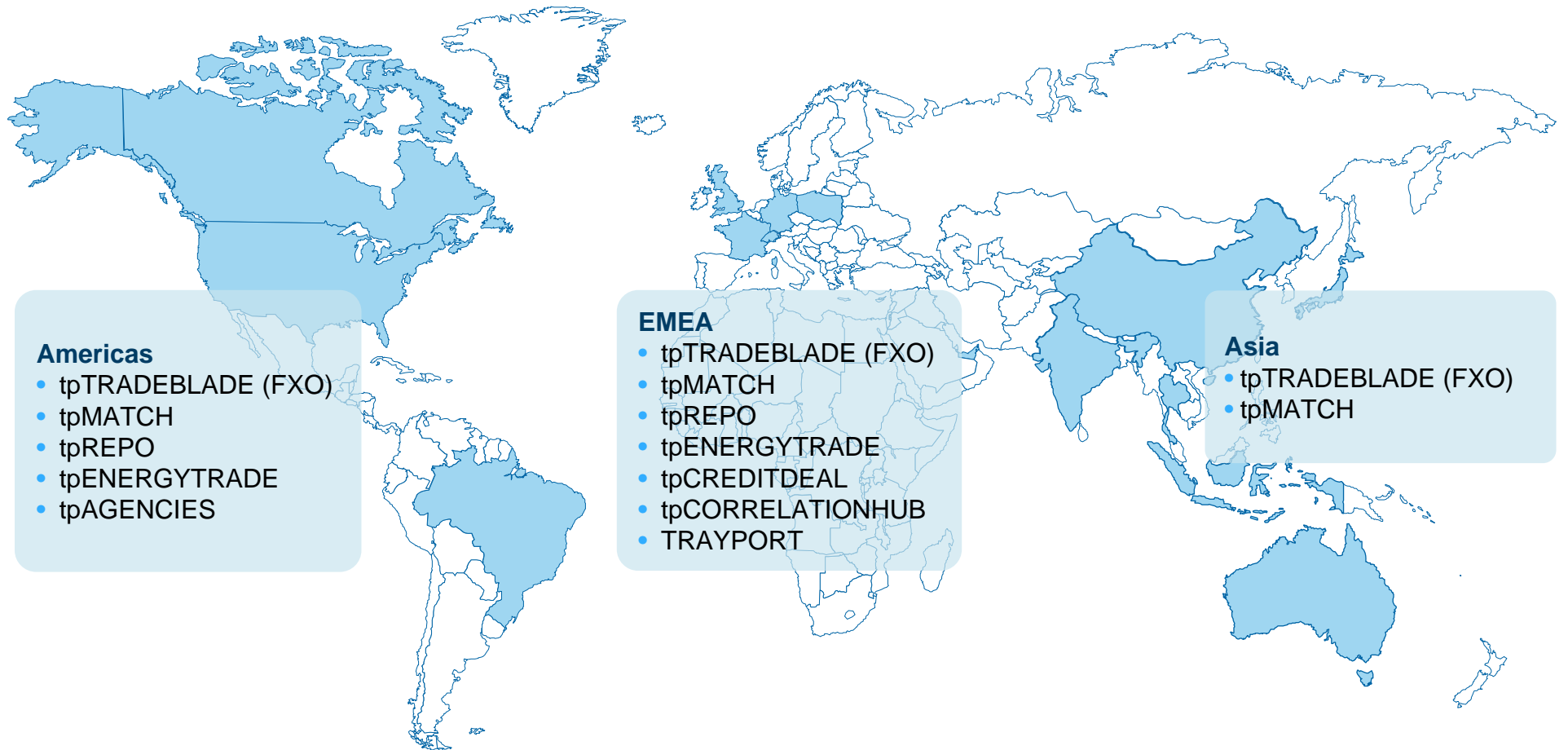
# Regulatory Developments

- Engaging directly with the regulators
- Active members of trade associations
- Strategy driven by regulatory demands
- We expect greater use of:
  - Hybrid electronic platforms
  - STP (Straight Through Processing)
  - CCP (Central Counterparty Clearing)

# Electronic Broking and Post Trade Landscape



# Our Current Offering



## Americas

- tpTRADEBLADE (FXO)
- tpMATCH
- tpREPO
- tpENERGYTRADE
- tpAGENCIES

## EMEA

- tpTRADEBLADE (FXO)
- tpMATCH
- tpREPO
- tpENERGYTRADE
- tpCREDITDEAL
- tpCORRELATIONHUB
- TRAYPORT

## Asia

- tpTRADEBLADE (FXO)
- tpMATCH



# The Competitive Landscape

## HYBRID

Product Group	Tullett Prebon	ICAP	BGC	GFI	Tradition	DealerWeb
Rates		i-Swap/i-Forward				
Volatility	tpTRADEBLADE	Volbroker JV	BGC Trader	ForexMatch	Volbroker JV	
Credit	tpCREDITDEAL	ICAP -- Credit	BGC Trader	CreditMatch		
Energy	tpENERGYTRADE Trayport	i-Capture Trayport	Trayport	EnergyMatch Trayport	Trayport	

## POST TRADE / RISK MANAGEMENT SERVICES

Product Group	Tullett Prebon	ICAP	BGC	GFI	Tradition	DealerWeb
Rates	tpMATCH	Reset/TriOptima				
Credit	tpCORRELATIONHUB	ReMatch		Credit Match Auction		
Others		Traiana				

## PURE ELECTRONIC

Product Group	Tullett Prebon	ICAP	BGC	GFI	Tradition	DealerWeb
Rates	tpREPO	BrokerTec	eSpeed			Mortgages/Agencies /T-Bills
Treasury		EBS				

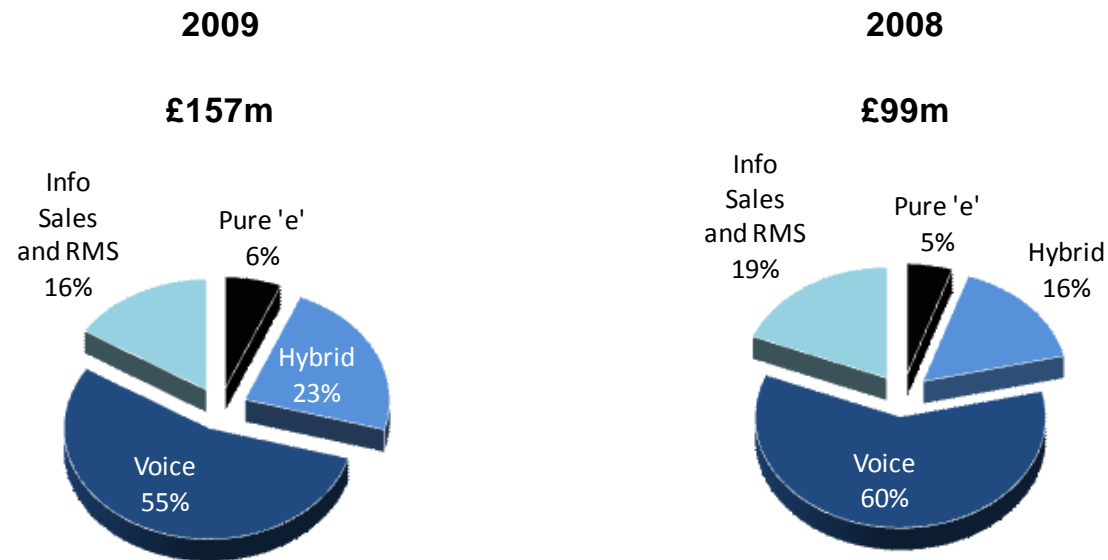
# Our Approach: IT Application Development

- Keep the key knowledge/relationships internal – including design
- If no IP competitive advantage then buy rather than build
- Buying is more cost effective, allows access to market-leading technology
  - Multi-year deal with MillenniumIT to develop electronic trading systems
  - 10 % ownership of Elysian
- Building gives competitive advantage in new markets
  - Risk Management Services
- Employ outsource providers for low-level testing
- Platforms deployed/supported by dedicated internal sales and client services teams

# Electronic Revenues

## Revenues from products supported by electronic platforms plus information sales

Proportions of Revenues by type



- As the proportion of electronic and hybrid grows, more is 'owned' by the business
- Revenues from products supported by electronic platforms plus information sales are 16.5 per cent of group revenues

# Further Developments

## Areas of focus:

- Credit platforms in US and Asia
- Interest Rate Swaps platform
- Risk Management Services (Value Added)
  - *Extending the Rates Risk Management Services (tpMATCH) to cover further asset classes.*
- Emerging Markets
- Straight Through Processing and Enterprise Bus
  - *Enhancing core technical infrastructure for 'Front to Back' trade processing*
- Development of other derivative markets

# Conclusion

## **Tullett Prebon is well positioned to respond to market and regulatory developments**

- Our electronic capability is strong and proven
- Hybrid electronic platforms better suited to most OTC products – voice liquidity essential
- Not dependent on pure electronic platforms – inflexible and not ‘sticky’
- Targeted investment driven by regulation and client demand
- We are positioned for growth