Joanna Nader

Market Context

Transaction Volume Drives Broking Revenue

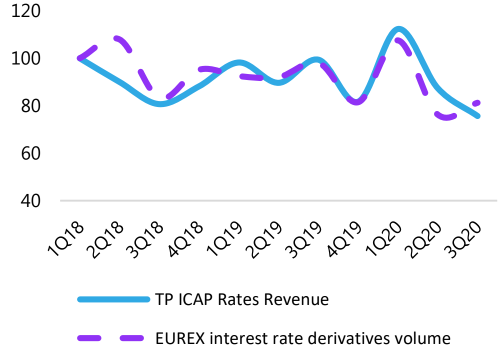
Cyclical: TP ICAP revenue is closely correlated with broader secondary market activity

- **TP ICAP's brokerage businesses earn revenue from facilitating secondary market transactions**
  - Revenue is transaction-volume driven
  - The fee basis is principally ad valorem (i.e., a fraction of transaction value), but some segments charge on a unit basis
- **Exchange-traded derivatives and corporate bond volume data may provide useful approximations of activity in the relevant related market segments**
- **Market direction & direction + volatility generally good for volume**

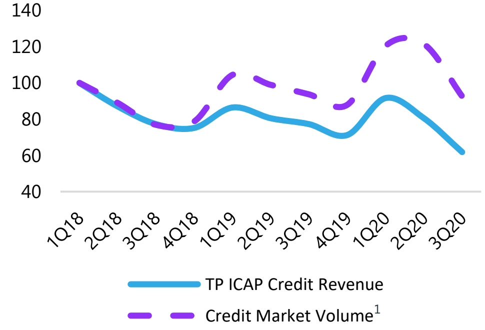
TP ICAP Revenue & Related Market Transaction Volume, by Asset Class

(rebased to 100 as of 1Q18)

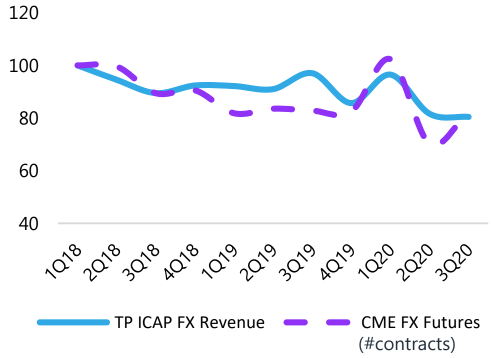
Rates



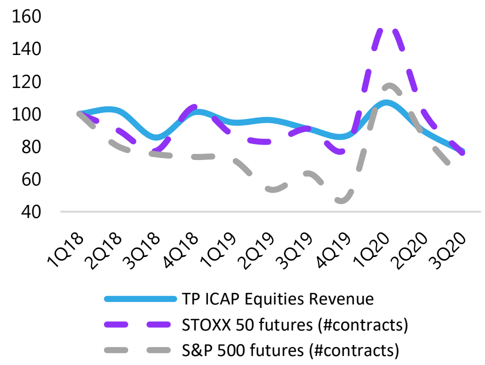
Credit



FX

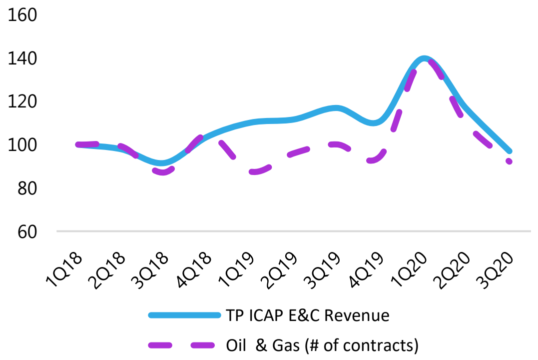


Equities



Energy & Commodities

(rebased to 100 as of 1Q18)



Sources: TP ICAP, CME, Eurex, ICE, SIFMA, Trax

1. Data include US corporate bond trading volumes, Trax Eurobonds and Trax Emerging Market volumes

Market Structure Drives Medium Term Potential Activity

Secular: Structural influences dominate cyclical on multi-period basis

1. **Regulation is the principal driver of the bulk trading volume "potential", as well as the "where/how/who" of execution**

   Major regulation relevant to the changing structure of our markets includes:
   - Central clearing mandate
   - Uncleared margin rules
   - Regulatory capital treatment of market risk/Volcker Rule
   - Best execution

2. **Key themes "cascading" from regulatory change include:**
   - Volume growth in cleared products
   - Electronic trading adoption
   - Margin pressure
   - Participant "identity" shifting in some market segments (dealers become clients, clients become dealers, blurring)

3. **Major categories of market participants impacted**
   - Dealers (mainly Tier 1, Tier 2/3 banks)
   - Buy-side (asset managers (active, passive), hedge funds)
   - Market/venue operators

4. **Relevant groupings of customers**
   - Dealer-to-dealer (D2D)
   - Dealer-to-client (D2C)
   - Client-to-client (C2C)

5. **Our understanding of structural market trends drives the rationale for both TP ICAP's organic investment programme and the acquisition of Liquidnet**
   - Hub Strategy
     - Global Broking: Rates Hub; FX Hub; Credit Hub
     - Energy & Commodities: Oil Hub
   - Liquidnet
     - Dealer-to-client electronic trading of corporate bonds
     - Dealer-to-client electronic trading of interest rate products (particularly swaps)

Interest Rate Derivatives

Clearing drives OTC volume, D2C electronic trading

Key regulatory drivers:

1. Clearing mandate (via G20)
2. Best execution obligations on buy-side (MiFID 2)

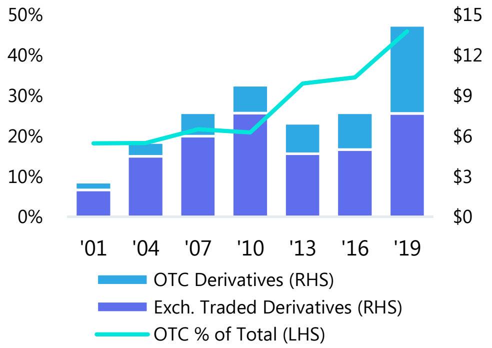
Market impact:

1. Substantial volume growth caused by clearing
2. D2C electronic grows reinforcing impact of clearing, causing dealer margin compression
3. D2C platform duopoly limits potential competition in D2C electronic Rates
4. No regulatory incentive to electronify D2D trading

Strategy implications:

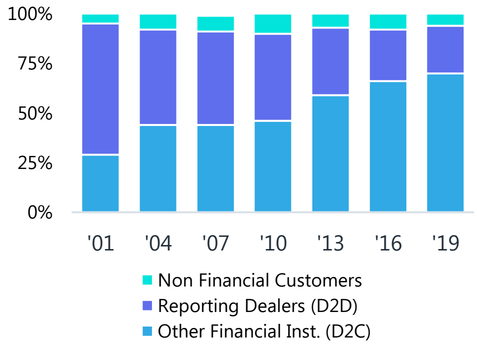
1. TP ICAP - Rates Hub strategy
   - Dealer margin pressure/desk rationalisation supports economic rationale for building Rates Hub. Voice is expensive for both dealers and TP ICAP
2. Liquidnet – D2C electronic Rates
   - Large & growing market, with limited competitors. Barrier to entry is connectivity. TP ICAP has a leading inter-dealer franchise & co-owns iSwap platform with 41 connected dealers

Exchange & OTC Rates Derivatives Avg. Notional Turnover ($tn)



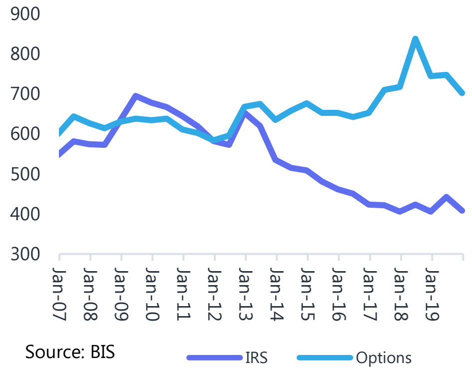
Source: BIS

OTC Interest Rate Deriv. Turnover by Participant Group (% of Total)



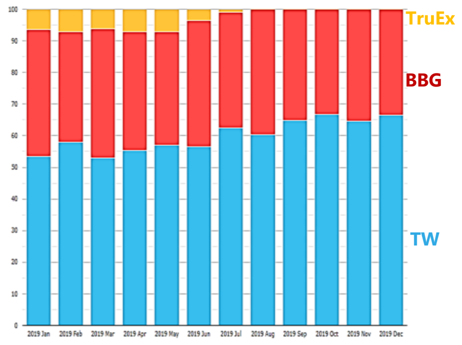
Source: BIS

Interest Rate Swap & Option Market Concentration (Herfindahl Index)



Source: BIS

SEF Market Share in D2C Interest Rate Swaps Trading



Source: Clarus FT

FX Derivatives

Early impact of UMR on trading volume & product choices

Key regulatory drivers:

1. Uncleared Margin Rules (UMR) – phased global rollout 2016-2022
2. Best execution requirements on buy-side (MiFiD 2 (derivatives))

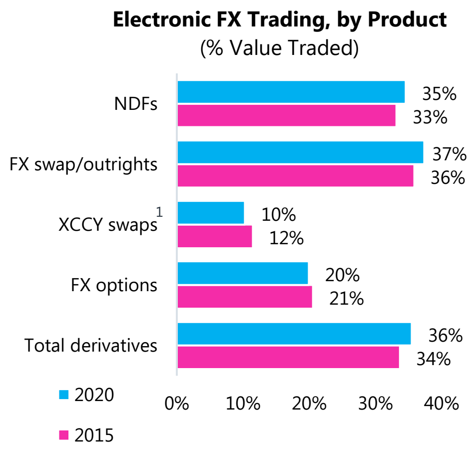
Market impact:

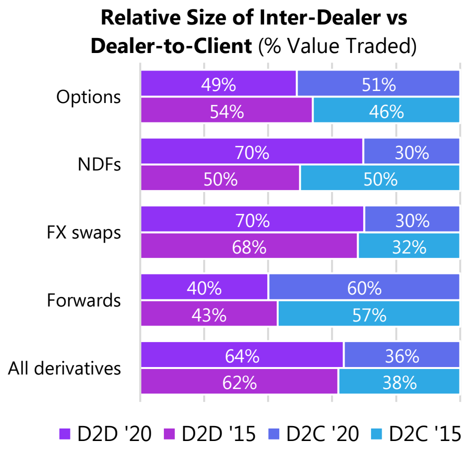
1. Electronic trading % has not moved materially as a result of best ex regulation. D2D still mainly voice
2. D2D & D2C FX market shares broadly stable
3. Clearing driving volume growth in some segments, as UMR phases in

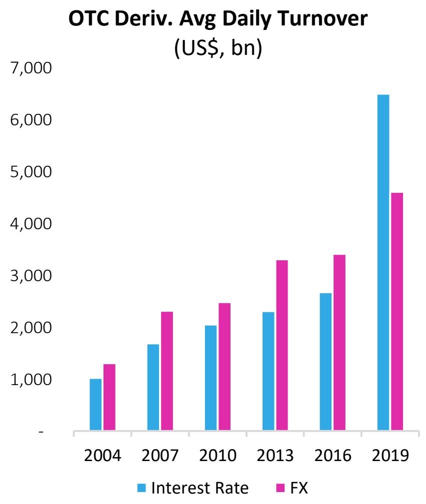
Strategy implications:

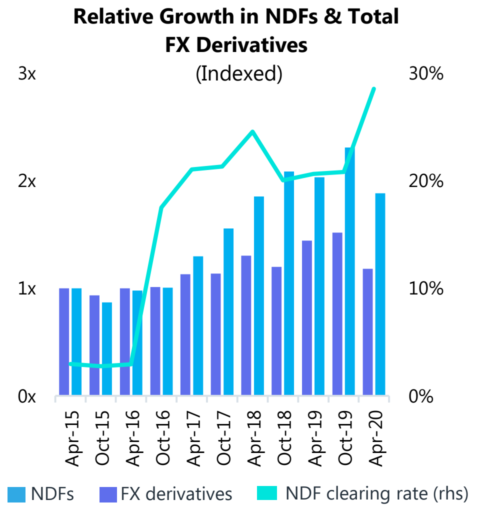
1. TP ICAP - FX Hub strategy
   — Dealer margin pressure & volume growth in cleared products supports economic rationale. Voice is expensive for both dealers and TP ICAP. Central clearing is supportive of electronic trading methods

1. Cross Currency Swaps









Sources: BIS, BoE FXJSC, LCH Forexclear

Credit
Inefficiency & dysfunction

Key regulatory drivers:

1. Regulatory capital treatment of market risk
2. Volcker Rule (US)
3. Best execution (MiFID 2)

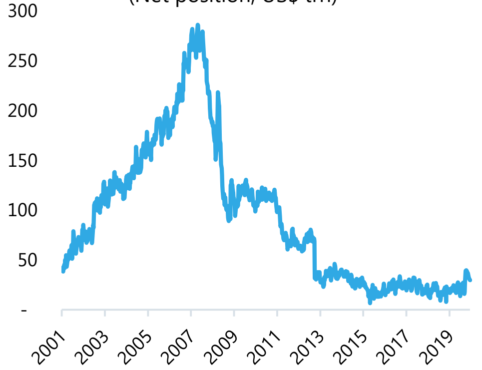
Market impact:

1. Dealers hold minimal inventory, and trade less between themselves
2. Since introduction of post-2008 regulation (regulatory capital/Volcker rule), inter-dealer trading has declined as a share of overall market activity
3. D2C Electronic trading penetration has grown rapidly, but only three major platforms

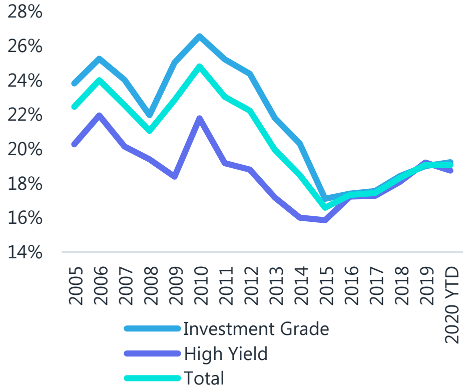
Strategy implications:

1. TP ICAP – Credit Hub
   - Dealer margins thin. Need to trade quickly/efficiently to minimise balance sheet usage
2. Liquidnet – D2C electronic corporate bonds
   - Large & growing market, with limited competitors. Barrier to entry is connectivity. Liquidnet already has broad & active buy-side client base

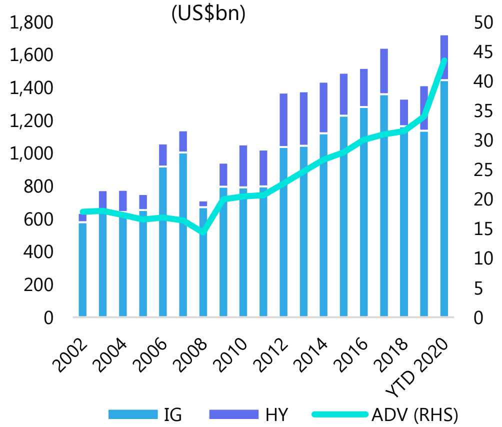
Dealer inventory of US corporate bonds
(Net position, US$ trn)



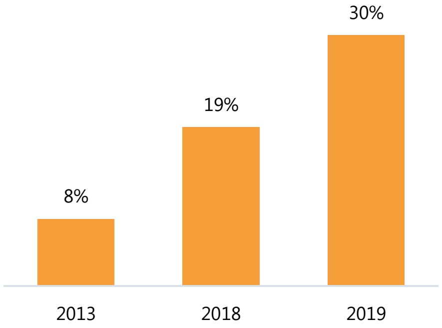
Inter-dealer Trading
(% US Corporate Bond Volume)



US Corporate Bond Issuance & Trading Volume
(US$bn)



% of Corporate Bonds Trading Electronically
(US Investment Grade)



Sources: Sifma, Federal Reserve Bank of New York, TP ICAP

Cash Equities

Mature, but still evolving

Key regulatory drivers:

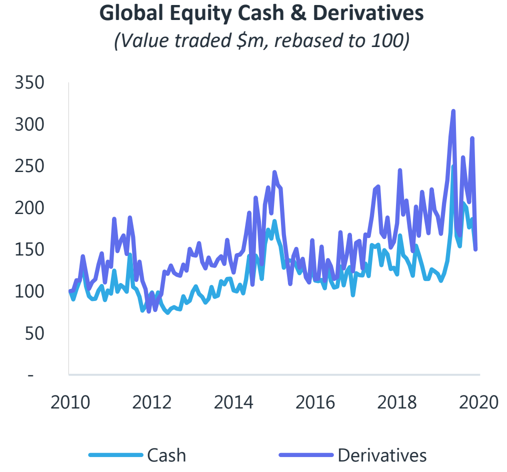
1. Regulation National Market System ("Reg NMS", US; 2005) & MiFID 1 (EU; 2007)
2. Best execution (MiFID 2)
3. ESMA 2020 review of transparency regime

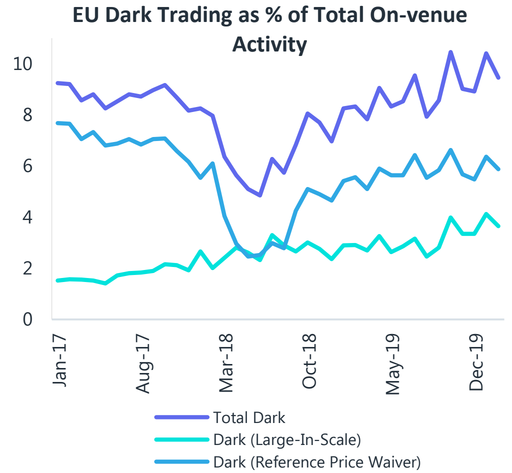
Market impact:

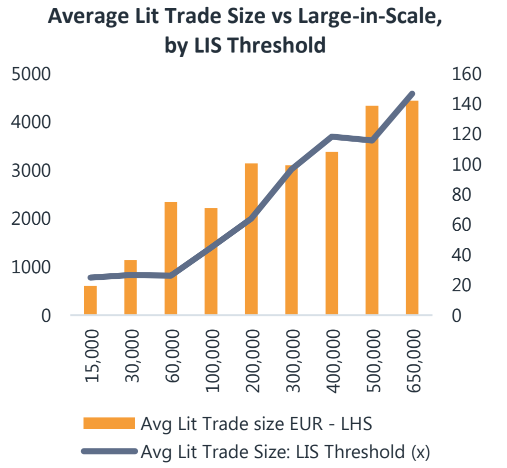
1. Equity markets highly fragmented, highly electronic
2. Dark execution venues exist to help traders execute larger size transactions
3. MiFID 2 increased price competition & introduced constraints on dark trading

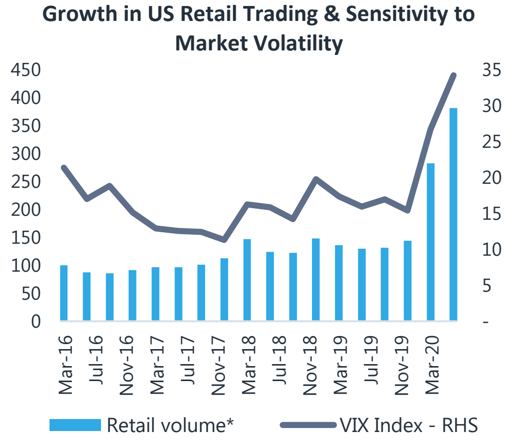
TP ICAP strategy implications:

1. TP ICAP – Proposed Liquidnet acquisition
   - Cash equities is a large asset class & a white space for TP ICAP. Liquidnet has an established position in an important area of facilitating large trade sizes









Sources: TP ICAP, CME, Eurex, CBOE Europe, TD Ameritrade, Interactive Brokers, E Trade, Charles Schwab, Liquidnet
*Client trade volume reported by TD Ameritrade, Interactive Brokers, E Trade, Charles Schwab, aggregated and indexed (Q1 16 = 100)

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TP ICAP Capital Markets Day

1 December 2020