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**Nicolas Breteau**  
Global Broking

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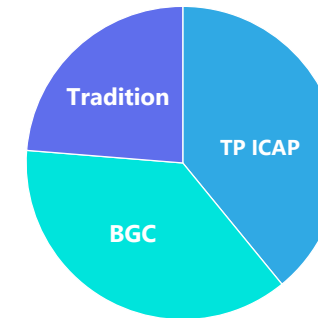
# Role of Inter-dealer Brokers

## Why and how investment banks (dealers) use inter-dealer brokers



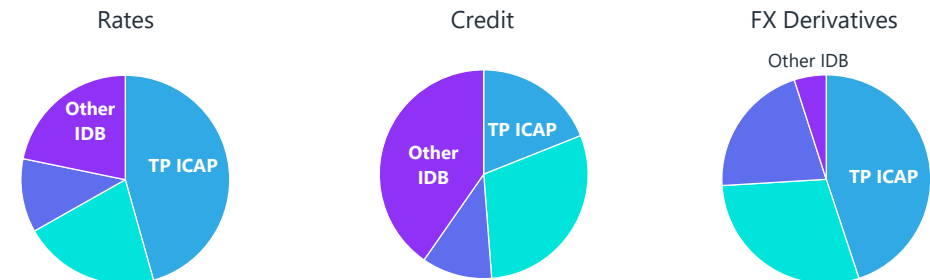
- **Dealers use inter-dealer brokers (IDBs) to execute trades between themselves**
  - Inter-dealer trading is principally driven by market risk management needs
  - Inter-dealer trading tends to be larger in size and more “standardised” than in the dealer-to-customer market
- **Inter-dealer brokers are trusted operators of marketplaces**
  - IDBs do not take principal positions
  - IDBs ensure pre-trade anonymity (information is sensitive)
- **The IDB segment is highly concentrated**
  - TP ICAP is the world’s largest IDB followed by BGC Partners and Compagnie Financiere Tradition
- **IDBs compete with each other, as well as with direct trading between banks, and internalisation of order flow**
  - Internalisation rates reflect a range of factors, including how balanced a bank’s client business is, how volatile the market is, and how wide bid/offer spreads are
- **Inter-dealer trading is selectively becoming more electronic. The nature of trading reflects a number of factors:**
  - Individual trader preferences
  - Product characteristics

Top 3 IDB Revenue<sup>1</sup> (FY 2019)



Source: company financials

IDB Market Share per Key Asset Classes



Source: TP ICAP estimates

1. Share of broking revenue only amongst the top 3 inter-dealer brokers

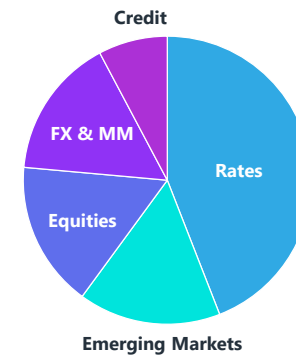
# Global Broking: Overview

## World's Largest Inter-dealer Broker

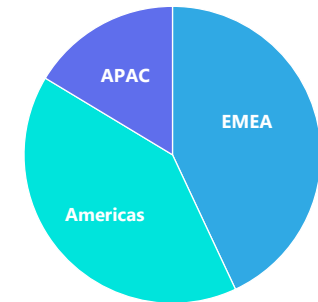


- **TP ICAP is the world's largest IDB<sup>1</sup>**
  - Market share of c.40%
- **Global presence**
  - Present in 25<sup>2</sup> countries across Americas, EMEA and APAC regions
  - 2,079 brokers<sup>3</sup>
  - Operator of more than 10 regulated venues, globally
- **Five main product segments**
  - Rates; FX and Money Markets; Equities; Credit; Emerging Markets
- **Two major global brands**
  - Tullett Prebon
  - ICAP
- **Resilient revenue performance over past several years despite cyclical and secular headwinds**
  - Improving broker revenue productivity

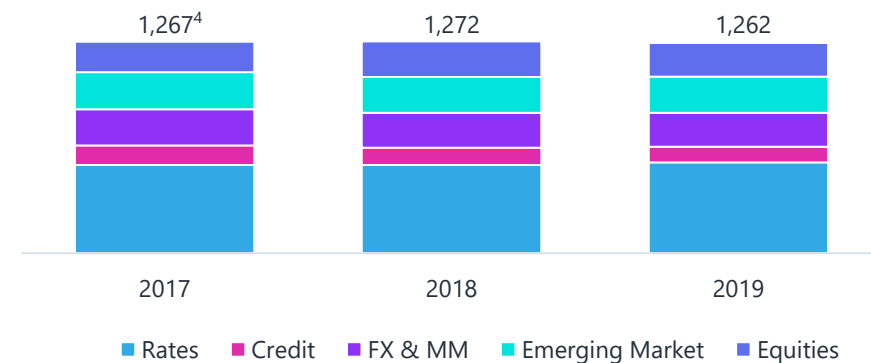
Revenue Mix by Product (9M 2020)



Revenue Mix by Geography (9M 2020)



Global Broking Revenue (£m)



1. By 2019 revenue

2. Note that Global Broking does not operate in Austria but TP ICAP's D&A division does

3. As at 30 September 2020

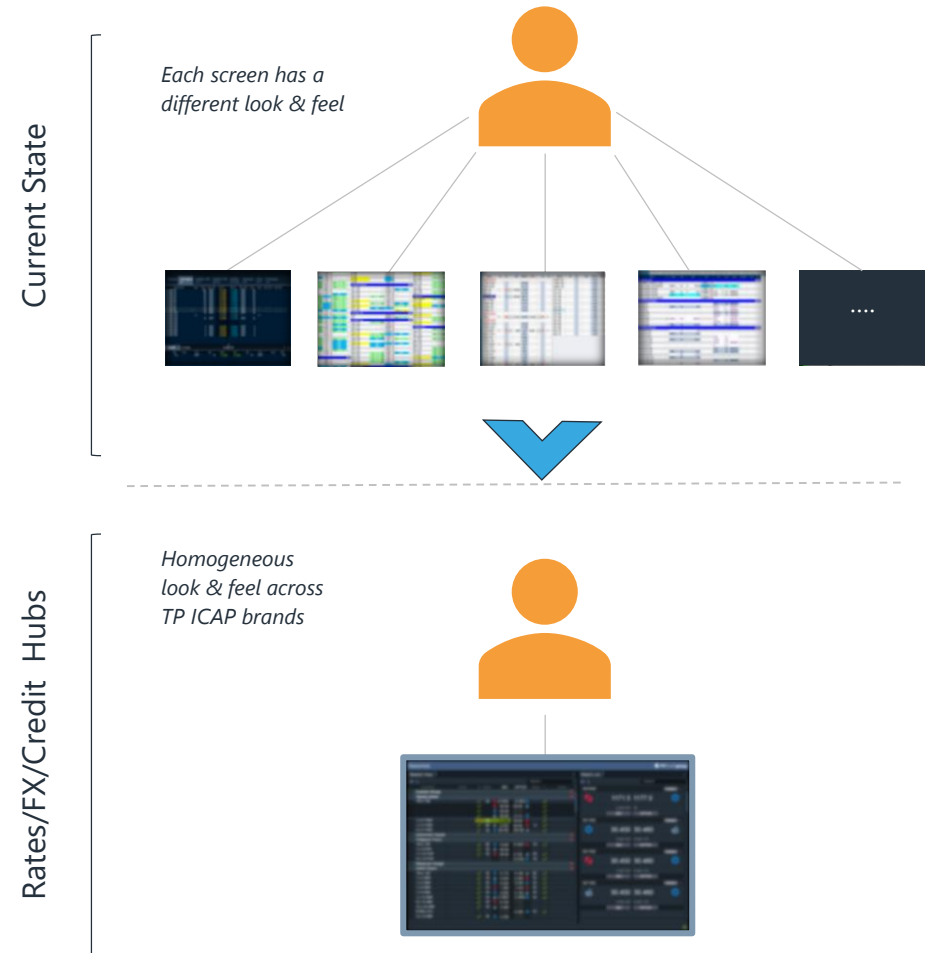
4. Adjusted for £20m RV revenue transferred to IS and £17m inter-division revenue for services provided to Data & Analytics

# Medium Term Strategy

## Hub Strategy: Electronification, Liquidity Aggregation



- **“Hub” strategy responds to evolving market requirements and trends**
  - Sell-side economic pressures (regulatory/compliance, B/S, reg cap)
  - Greater internalisation by the largest dealers
  - Generational shift amongst sell-side traders encouraging use of electronic tools (data, analytics) and transaction formats
- **Expected to enable TP ICAP to capitalise on multi-brand multi-product liquidity**
  - Electronification; liquidity aggregation
- **What is the Hub strategy?**
  - Single login to access multiple liquidity pools in a given asset class – across instrument types, brands
  - Common look and feel across TP ICAP screens & improved API access
  - Streamlined processes
  - Integrated analytics
- **Benefits for TP ICAP clients**
  - Pre-trade efficiency – improved pre-trade view of market
  - Trade efficiency – cost, speed, choice of protocols
  - Post-trade – operational processes, risk management, optimisation



# Hub Strategy

## Potential Benefits for TP ICAP

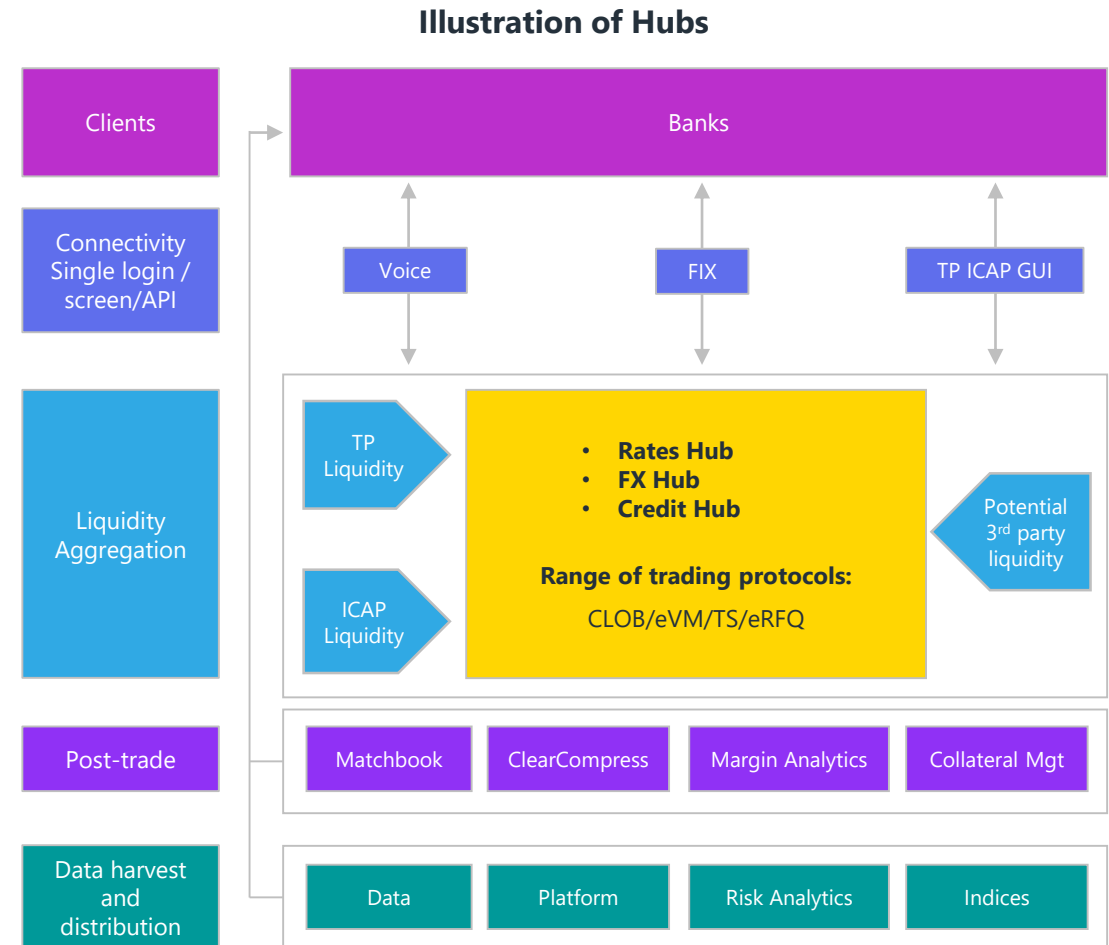


- **Higher quality revenue**

- Stickier client volume
- Increased execution/cross-selling opportunities across asset classes / products
- More opportunities for Data & Analytics (to gather data & deploy analytics)

- **Higher profitability**

- Unit profitability is higher on platforms than voice
- As more business becomes low touch, more revenue/volume per broker
- Improvement in compensation ratios in electronified segments



# Rates Hub

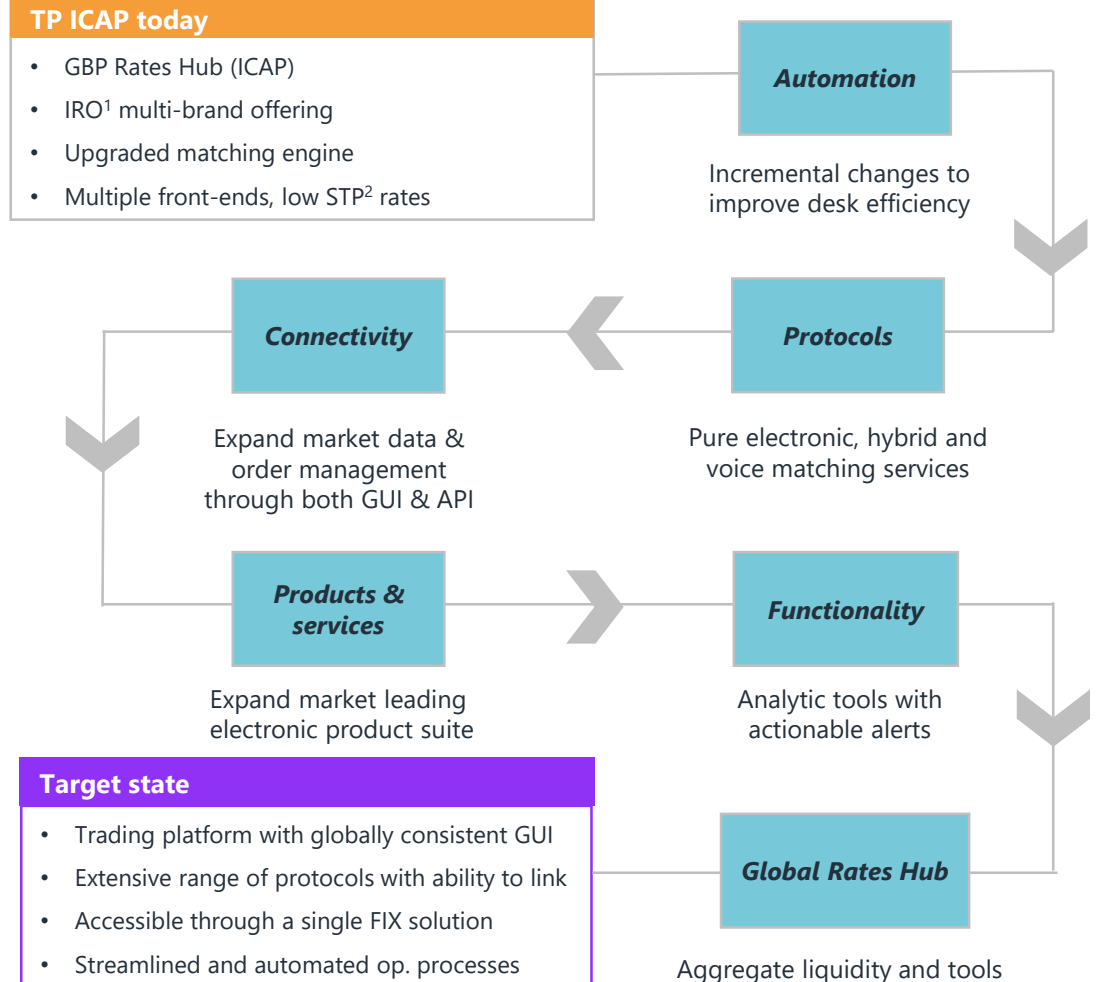
## 2020 Progress & Medium Term Strategy



### Progress made in 2020

- **Enhancement of electronic platform capability (IRO<sup>1</sup> & Gilts)**
  - Enhancement of market-leading ICAP volume matching functionality
  - Smarter order generation, better risk management/trading outcomes for clients
- **Cross-product GBP aggregation/electronification (ICAP)**
  - “ICAP Sterling Hub”
- **Cross-brand options aggregation/electronification (ICAP & TP brands)**
  - Launch of options platform for TP EMEA (Sept.) to form a multi-brand offering
  - Initially for selected (complementary) instruments, with additional instruments to follow

1. IRO: Interest Rate Options  
2. Straight-through processing



# FX Hub

## 2020 Progress & Medium Term Strategy



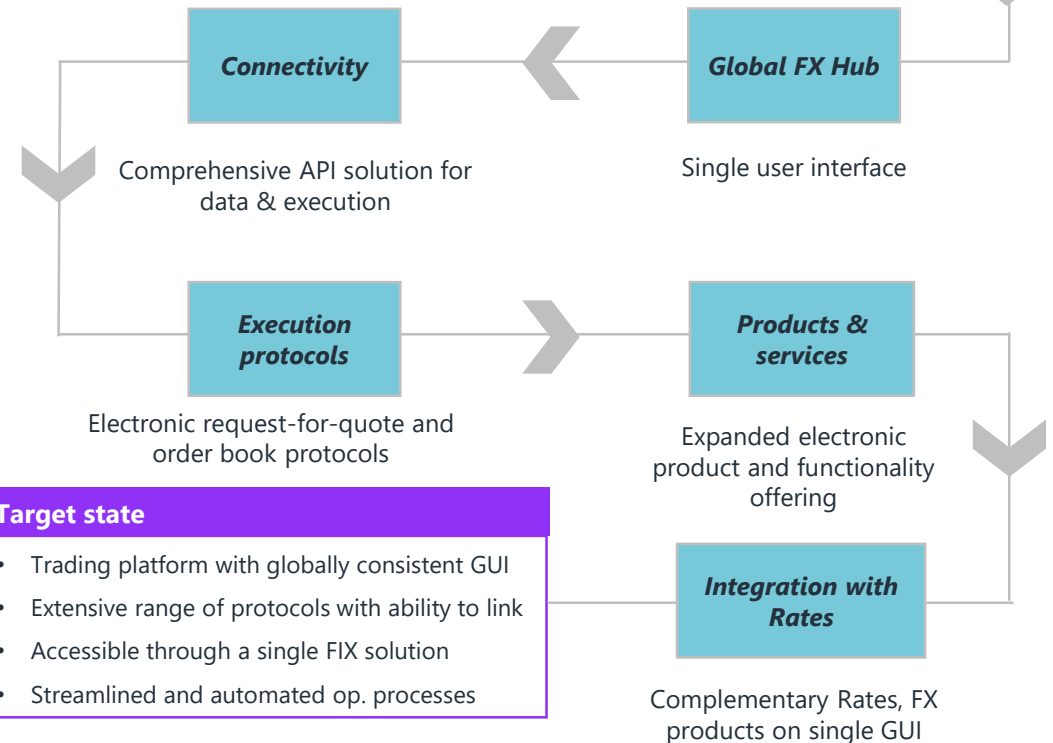
### Progress made in 2020

- **Cross-brand electronification/ aggregation (FX options)**

- Launched cross-brand FXOhub for FX Options order book and request-for-quote execution
- FXOhub has been a key driver of our FX Options market share rising by an estimated 5 percentage points between Q4 '19 and Q3 '20<sup>1</sup>
- Platform launch has enabled hiring of brokers into ICAP brand (will use same platform)

### TP ICAP today

- Broad product range
- Single login to display TP & ICAP liquidity for FX Options and Asian NDFs / Forwards
- Primarily voice / hybrid, inconsistent STP<sup>2</sup>
- API connectivity in some FX products



### Target state

- Trading platform with globally consistent GUI
- Extensive range of protocols with ability to link
- Accessible through a single FIX solution
- Streamlined and automated op. processes

1. Source: Clarus, based on notional trading volume  
 2. Strait-through processing

# Credit Hub

## 2020 Progress & Medium Term Strategy

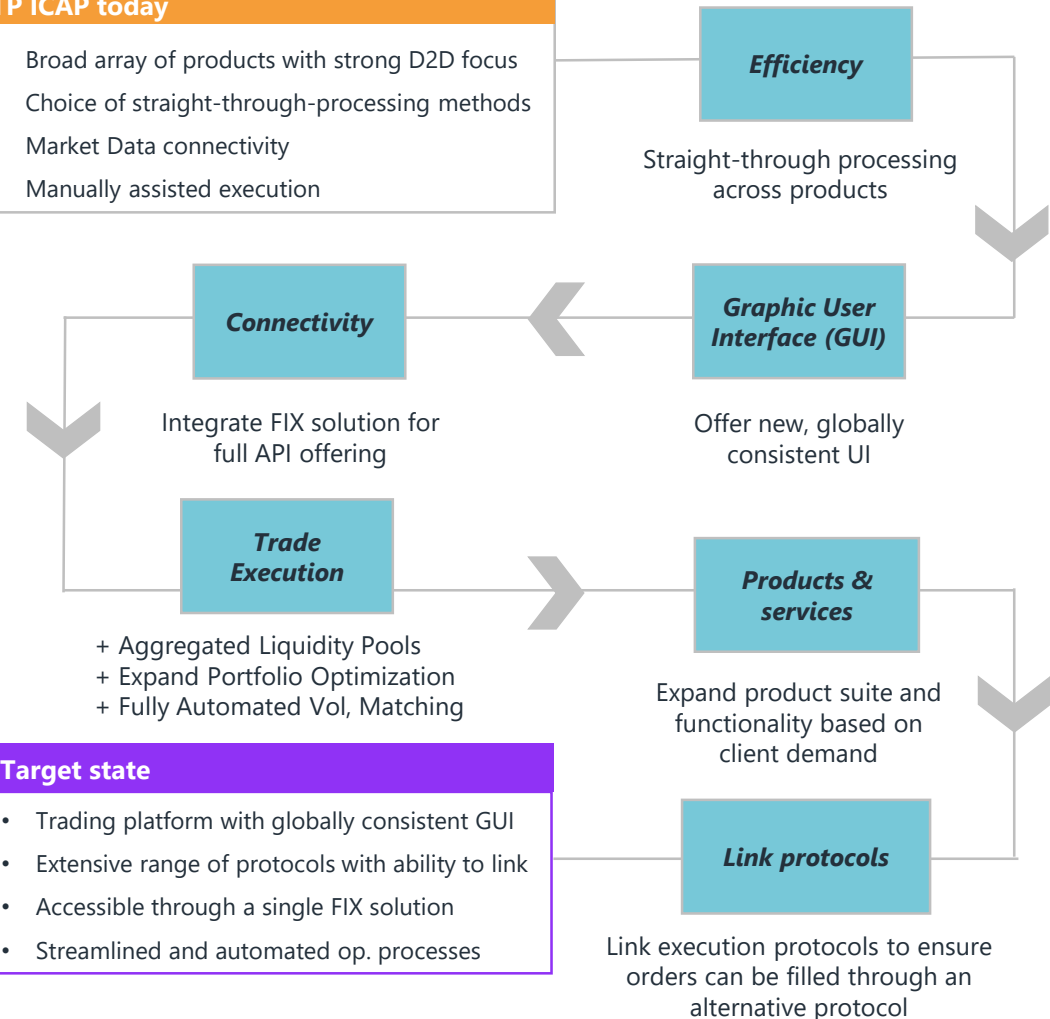


### Progress made in 2020

- **Cross-brand cross product diversification**
  - Rolled out the first solution specifically built for credit algo traders
- **Further electronification of workflow**
  - Added integration with banks' existing post trade solutions
  - Enabled self-service trade recaps with Excel integration
  - Introduced auctions with automated real time execution prices
- **Cross-brand aggregation**
  - Combined TP and ICAP brands onto single desk in the US

### TP ICAP today

- Broad array of products with strong D2D focus
- Choice of straight-through-processing methods
- Market Data connectivity
- Manually assisted execution



### Target state

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# Global Broking Financial Targets



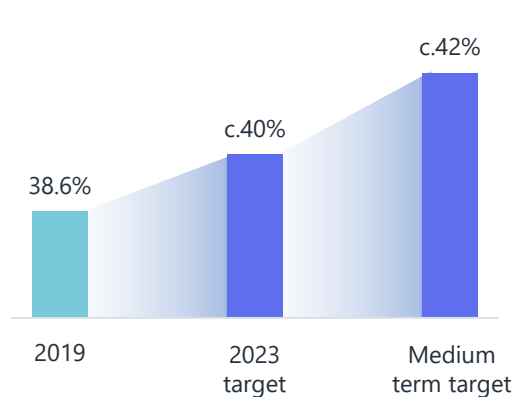
## • Financial targets

- Revenue Growth:
  - Medium term target: c.1% CAGR
- Contribution Margin:
  - 2023 target: c.40%
  - Medium term target: c.42%
- Operating Margin:
  - 2023 target: c.19%
  - Medium term target: c.20%

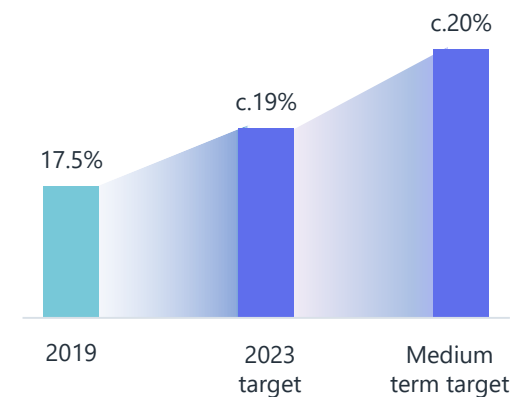
## • Principal drivers of Operating Margin improvement

- Increased share of low-touch revenue
- Improved broker productivity
- Lower broker payout ratio reduction on low-touch revenue

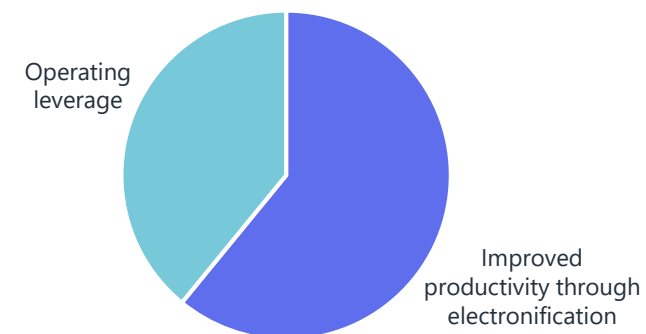
### Contribution Margin



### Operating Margin



### Drivers of Operating Margin Improvement



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## TP ICAP Capital Markets Day

1 December 2020

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