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Electronic market making – efficient  
and robust operations

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## Highlights

- ICAP has created a powerful combination: the world's largest voice and electronic interdealer broker. There is growing demand for electronic broking of liquid products, which is totally complementary to voice broking of more bespoke, less liquid products
- ICAP is active in the wholesale markets for cash and derivatives in interest rates, foreign exchange, energy, credit and equities
- ICAP is the world's largest interdealer broker with daily average transactions in excess of US\$1.2 trillion, 60% of which are electronic
- April 1st and 2<sup>nd</sup> : US\$ 1 trillion electronically on each day

## Liquid, commoditised markets



EBS®™ - acquired by ICAP in June 2006 – is the world's pre-eminent provider of foreign exchange (FX) trading and market data solutions to the professional spot FX community.

Every day, approximately USD 145 billion in spot FX, 700,000oz gold and 7 million oz silver are transacted over the award-winning EBS Spot Dealing System in more than 40 countries.

The EBS solutions portfolio includes:

EBS®™ Spot – electronic FX spot broking

EBS®™ Spot Ai – application program interface between the customer's trading system and the EBS Spot market.

EBS®™ Prime – access for the interbank and non-bank professional trading communities to the best EBS Spot prices via an EBS Prime bank



EBS®™ Market Data – the true view of the market, not merely an indication. [www.ebs.com](http://www.ebs.com)



Brokertec is the largest electronic trading platform in the market. The system runs 23 hours a day and trades over \$500bn daily in a variety of global markets including: European Government Bonds and Repo, the full suite of US Treasury, Agency, Mortgage and Repo markets and non-government markets and credit derivatives. The Brokertec model is built around using a Central Counterparty where possible which offers anonymity and balance sheet netting.

Brokertec + 44 (0) 20 7000 5805  
[www.icap.com/e-broking/brokertec/](http://www.icap.com/e-broking/brokertec/)

## Structured, more complicated markets

	<p>i-swap is ICAP's electronic trading platform for OTC Interest Rate Derivatives. The system is currently installed at 45 bank sites throughout Europe providing a market data and trade processing service in EUR Swaps Fras and OIS. In September 2004 ICAP launched an electronic trading service in EONIA swaps via the system and is now P-interactive in long term swaps.</p> <p>I-Swap help desk + 44 (0) 20 7000 5180 <a href="http://www.i-swap.com">www.i-swap.com</a></p>
	<p>i-Forwards is a hybrid model, co-mingling the liquidity of electronic and voice broking and utilising functionality to improve our service throughout the forward curve.</p> <p>i-Forwards provides enhanced electronic efficiencies to customers including, CLS Bank trading screen, full Straight Through Processing, multi-price order entry and spot restricted orders.</p> <p>i-forwards + 44 (0) 20 7000 5172</p>

## New markets

- Euro GC baskets in triparty launched end of 2006
  - ICAP Securities Lending launched April 2007
- ... commodities, insurance derivatives, carbon certificates, ...
- ... as products mature and margins decrease

## STP

- Objective - Utilise STP to enhance and differentiate ICAP's current service provision
- Across multiple asset classes
- Utilising flexible delivery protocols and formats
- Either via a proprietary common post trade feed (i-Connect)
- Or via a middleware provider (Ion) for ease of implementation
- Where appropriate establish collective solutions with 3<sup>rd</sup> parties (Swapswire IRS, Reuters FX)

## Why STP?

### For Banks:

- Efficiency (reduces the need for manual intervention)
- Risk reduction (faster trade reconciliation and settlement)
- Cost reduction (long-term reductions in back office headcount through automation)
- Ease of execution (removes the need to write deal tickets)

### For Icap:

- Increase trade volumes (ease of execution)
- Establish ICAP footprint on trader desktops (price display + tradebook + accept/reject)
- Integration of Hybrid Trading – choice for the clients
- Raise the barrier to entry for competing service providers

## Impact on liquidity – academic research

Argument existed that fragmentation of trading venues:

*“worsens liquidity, makes it very difficult for investors and market participants to have access to the best available trading opportunities and costly for them to verify compliance to best execution duties”*

*The study concluded that*

- Competition in choice of trading venue does not fragment liquidity*
- Integration and development of European government bond markets requires a platform neutral regulatory framework*

*Study by Prof Avinash D. Persaud : “Improving Efficiency of the European Government Bond Market.*

[http://www.icap.com/news\\_detail.aspx?newsID=225](http://www.icap.com/news_detail.aspx?newsID=225)