



Thomson Reuters Presentation To The ECB FXCG

Paul Clarke
Co-Head of FX/MM Trading Venues

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Agenda

- Thomson Reuters FX Strategy
- Matching Rules
- Market Trends



Thomson Reuters FX Heritage

Insight

Unique knowledge to make better decisions

- Award-winning Eikon desktop
- Exclusive content
 - IFR Forex Watch
 - FX Buzz
 - Matching Pricing
 - Reuters Polls
 - Dealing Room
- Market Feedback
 - Central Bank Reporting
 - Execution Quality Analysis (EQA)

Community

Seamless connection of people & infrastructure

- Conversational Dealing community
- Spot Matching community
- FXall community
- Open Messaging solution

Liquidity

Efficient trading venues

- Efficient and effective access to liquidity
- FXall liquidity supported by bank providers
- Elektron proximity access to Matching
- Co-Location for Bank Stream and Order Book Providers

Execution Management

Optimal trading & hedging solutions

- Thomson Reuters Dealing Aggregator at the heart of mission critical market making applications
- Traders use desktop aggregation of TR and relationship venues

Workflow and Order Management

Integrated systems to manage pre & post trade processes

- Electronic Trading business process solution
- Portfolio OMS for Asset Managers
- Settlement Center for post trade messages
- TRTN post trade messages



Today's FX Communities Demand Platforms that Seamlessly Deliver to the Community as a Whole



Trend for Venues to Operate Under Transparent Rules

Fair Access rules are a requirement of Swap Execution Facilities (SEF) but not yet prevalent in OTC markets

- Need to offer the same roster of services to all clients
- Service prices will be transparent
- Order types and handling rules will require greater disclosure so clients understand what happens to their order
- Rules will govern the distribution of market data and the spectrum of variance of service offered to participants
- Venues will need a plan to enforce compliance with good behavior
- Future European regulation will require more OTC volumes to trade on regulated venues



Thomson Reuters is Focused on Matching MTF and Will Then Apply to Other Venues

- **Encourage**
 - Genuine interest at top of book
 - High certainty of execution
 - Fair and orderly trading experience for all market participants
- **Discourage**
 - Abuse or manipulation
 - Behaviours that do not enhance liquidity for the whole market
- **Tools to influence behaviours**
 - Conduct and Integrity rules
 - Matching rules and platform implementation



Updated Rule Book Designed to Safeguard Behaviors that Sustain Primary Markets

- Developed over 12 months in consultation with market participants
- New specific, measurable Trading Rules intended to:
 - Encourage high certainty of execution
 - Reduce use of trading styles that may lead to Market Conduct Rule violations
- Reporting and alerting to allow participants to monitor their own performance and behaviour
- Proactive, transparent and consistent approach to enforcement of trading behaviour
- Platform controls that hard-wire certain rules



Granularity MXN Changed June 2013: Change Minimum Tick Size from 1 to 5 Pips

Desired Impact

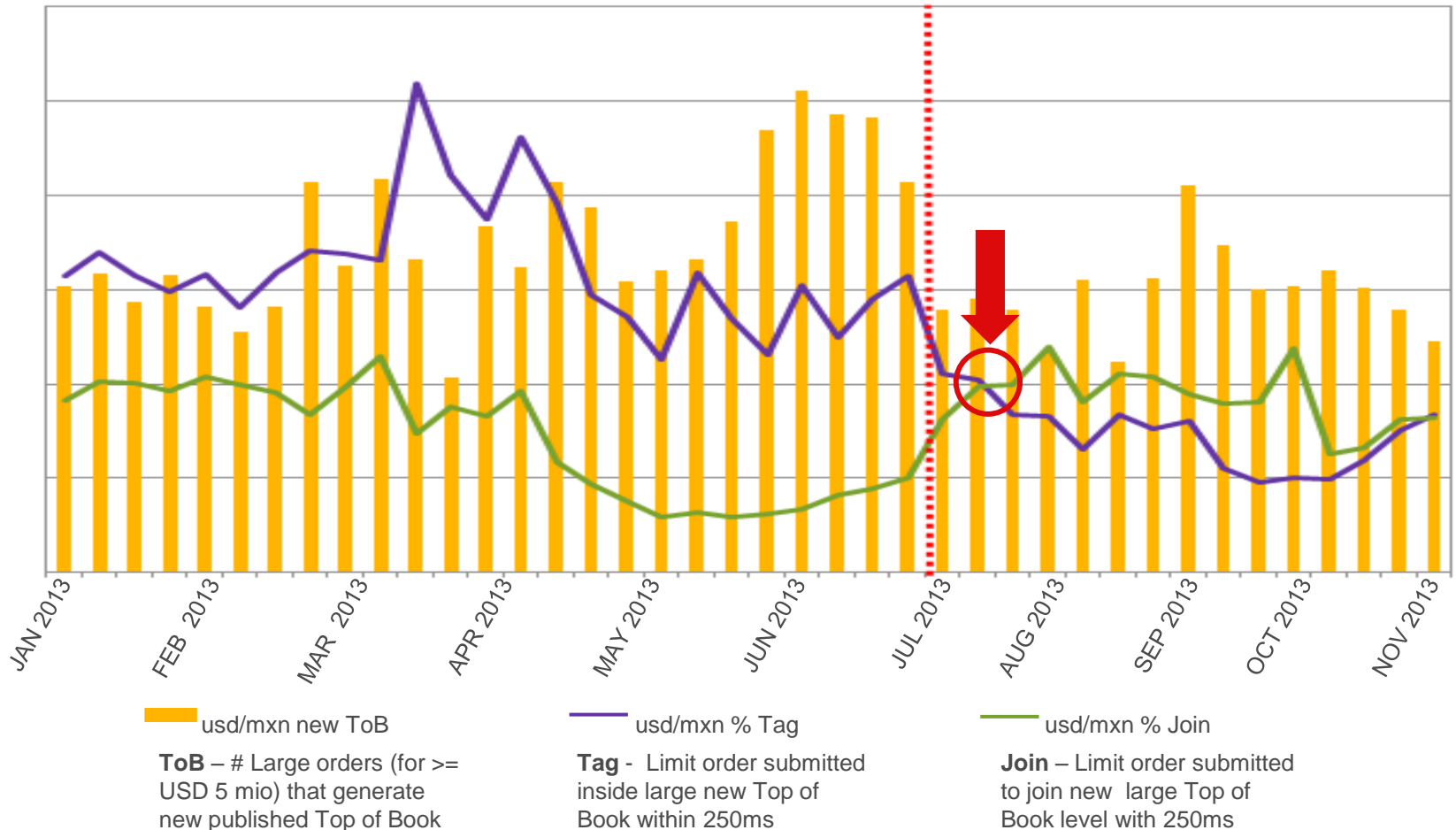
- Less 'flashing' at Top of Book
- Reduced 'tagging' when a new Top of Book order is immediately 'tagged' by an order inside
- More volume at Top of Book, as participants join rather than going inside
- No meaningful deterioration in spreads
- No meaningful change in quote to trade ratios

Results



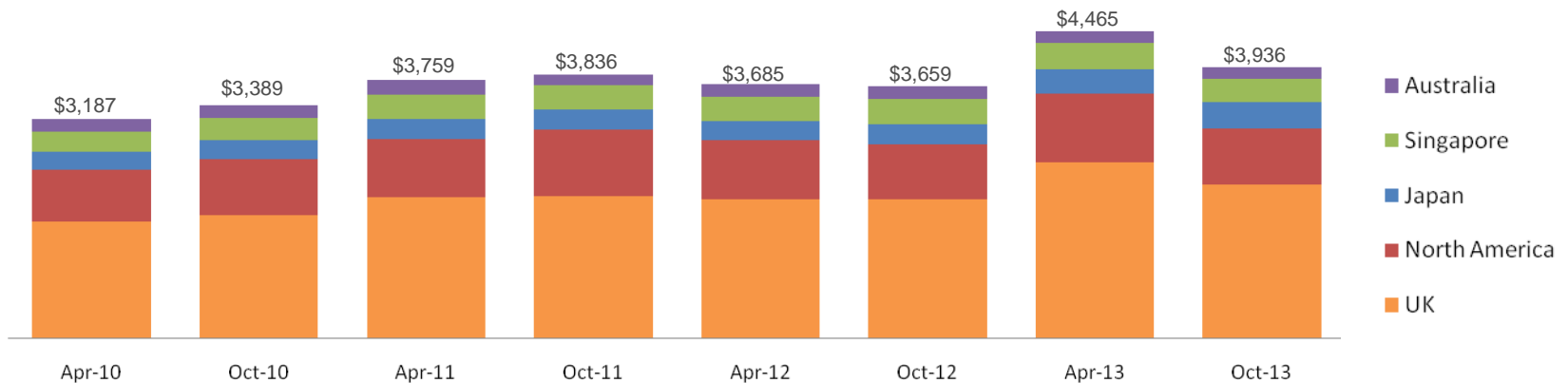
Granularity MXN Results: Joining Exceeds Tagging for Larger Orders ($\geq \$5m$)

Top of Book volume: Orders $\geq \$5m$



FX Volumes as Reported by FX Committees

FX volumes for leading banks (ADV USD bn)

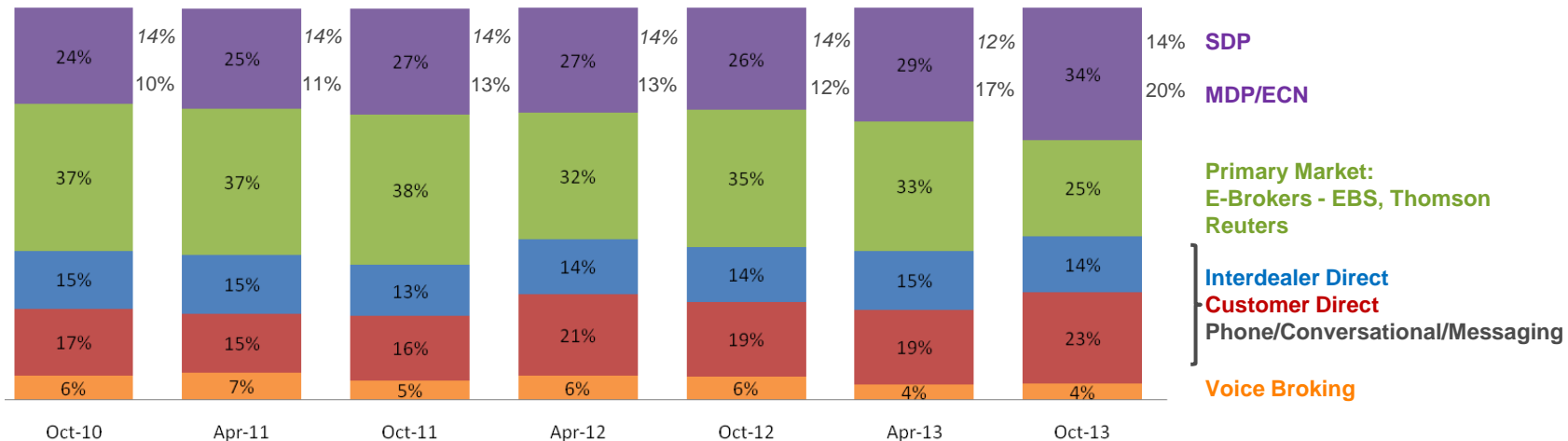


Volumes reported by FX committees in UK, North America, Japan, Singapore and Australia. Averages used for Japan for Oct 10 and Oct 11, where not reported.

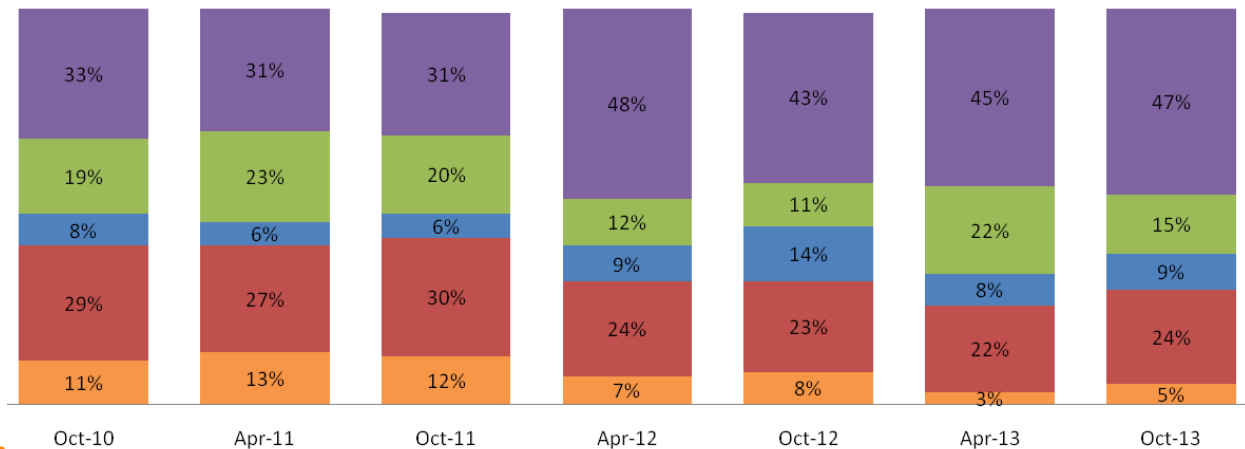
MDPs/ECNs Gain Share Compared to Other Methods of Execution

Method of execution as a percentage of spot volume

UK



North America



Source:
UK & North America FX Committee reporting



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Questions and Further Discussion

