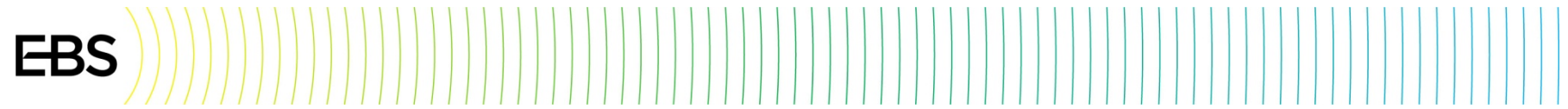


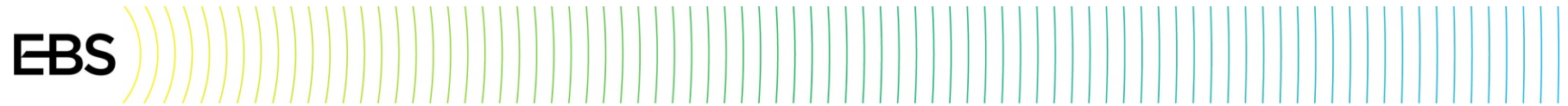
EBS Presentation to ECB – FXCG

Jeff Ward
Global Head of Sales
January 2013



Agenda

- EBS guiding principles
- Perspectives on High Frequency Trading
- Recent changes at EBS and their effect
- Challenges for the FX market going into 2013
- Strategic plans for EBS
- Volume Trends - EBS

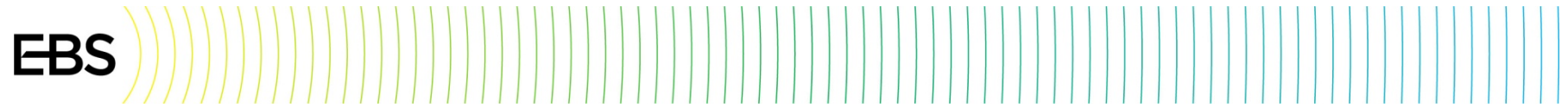


EBS Guiding principles

- EBS **welcomes all professional market participants** and values all market makers (buy-side and sell-side) who contribute to genuine liquidity
- Focused on rewarding **genuine liquidity** and providing a level playing field for all market participants
- Taking all necessary steps to ensure a **level playing field** where ultra high speed does not deliver an advantage
- Committed to **working with diligence and integrity** to maintain a principled FX market
- **Leading through innovation**, providing the market with products, tools and consulting services to optimise FX performance
- **Working collaboratively with the market** to ensure we are a trusted partner

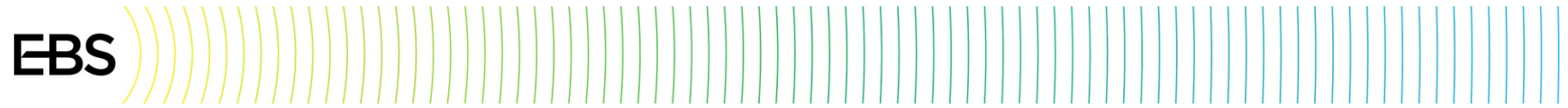
High Frequency Trading in FX

- FX was late to the high frequency game compared to other markets
 - The phenomena is less than 10 years old in FX
- Significant, benign, non correlated flow has left the public FX markets over the past five years
 - Single dealer platforms, relationship-based multi dealer providers, voice brokerage
 - Some of the transition is natural, though definitely accelerated and augmented by participant frustration with ultra high-frequency
- The FX public markets are deep and robust
- The regulatory framework of the FX market allows for swift change, and the market is trending towards such meaningful change



EBS System Changes

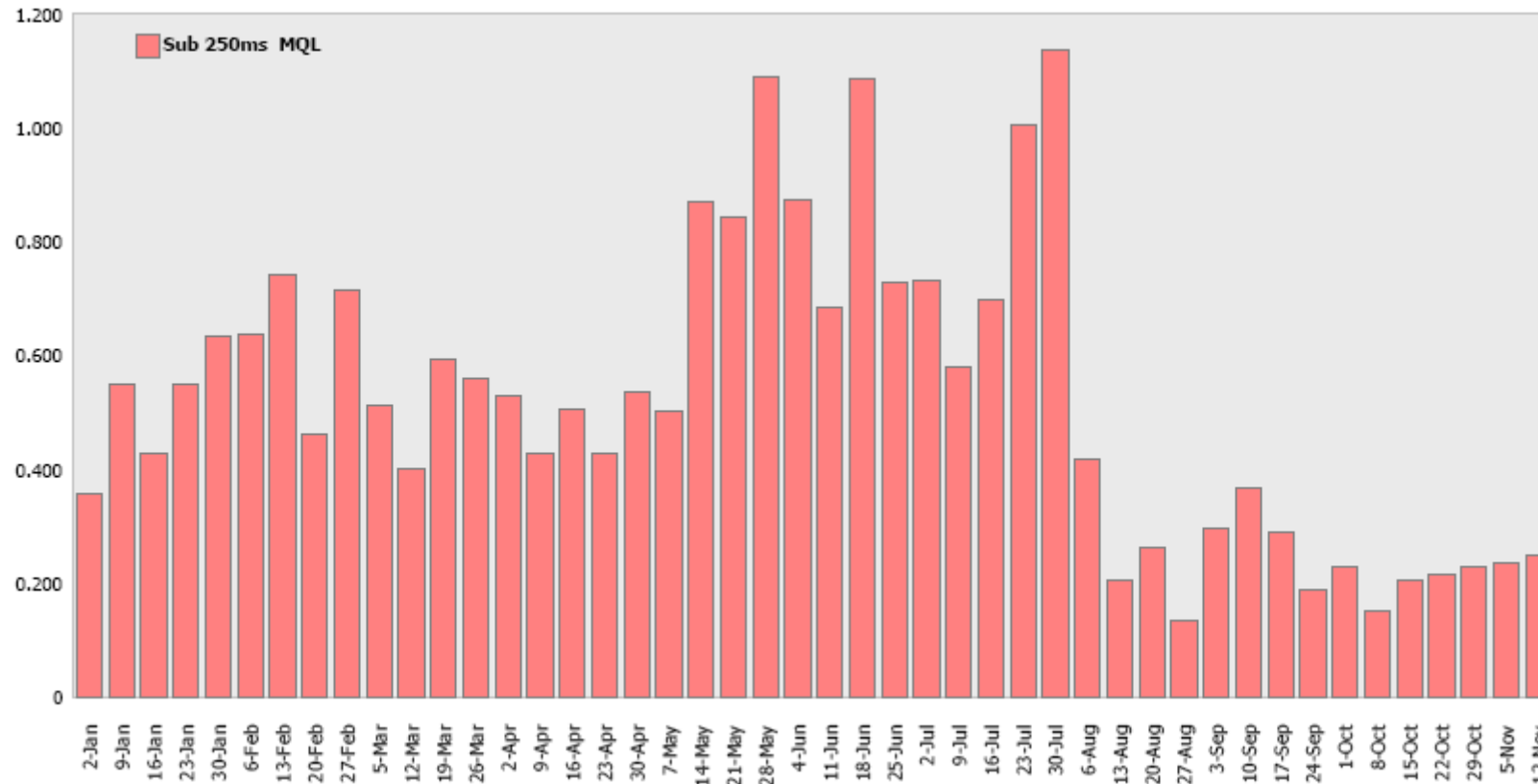
- EBS worked very closely, for months, with many leading banks and non-banks with great support and across the board
 - Requirements from all participant types were exceptionally similar
 - The entire EBS community had the opportunity to review and comment
- New Dealing Rules
 - 2nd EBS Live not available, new policies on fill ratios, daily targets, removal of financial penalties
- System changes
 - Data distribution randomization, remote hit by price
- Price granularity
 - Moved away from decimalization to half and full pips
- Surveillance
 - Creation of a cross functional surveillance team
 - Identification and elimination of key areas of disruption (self matching, large order spoofing)



Results

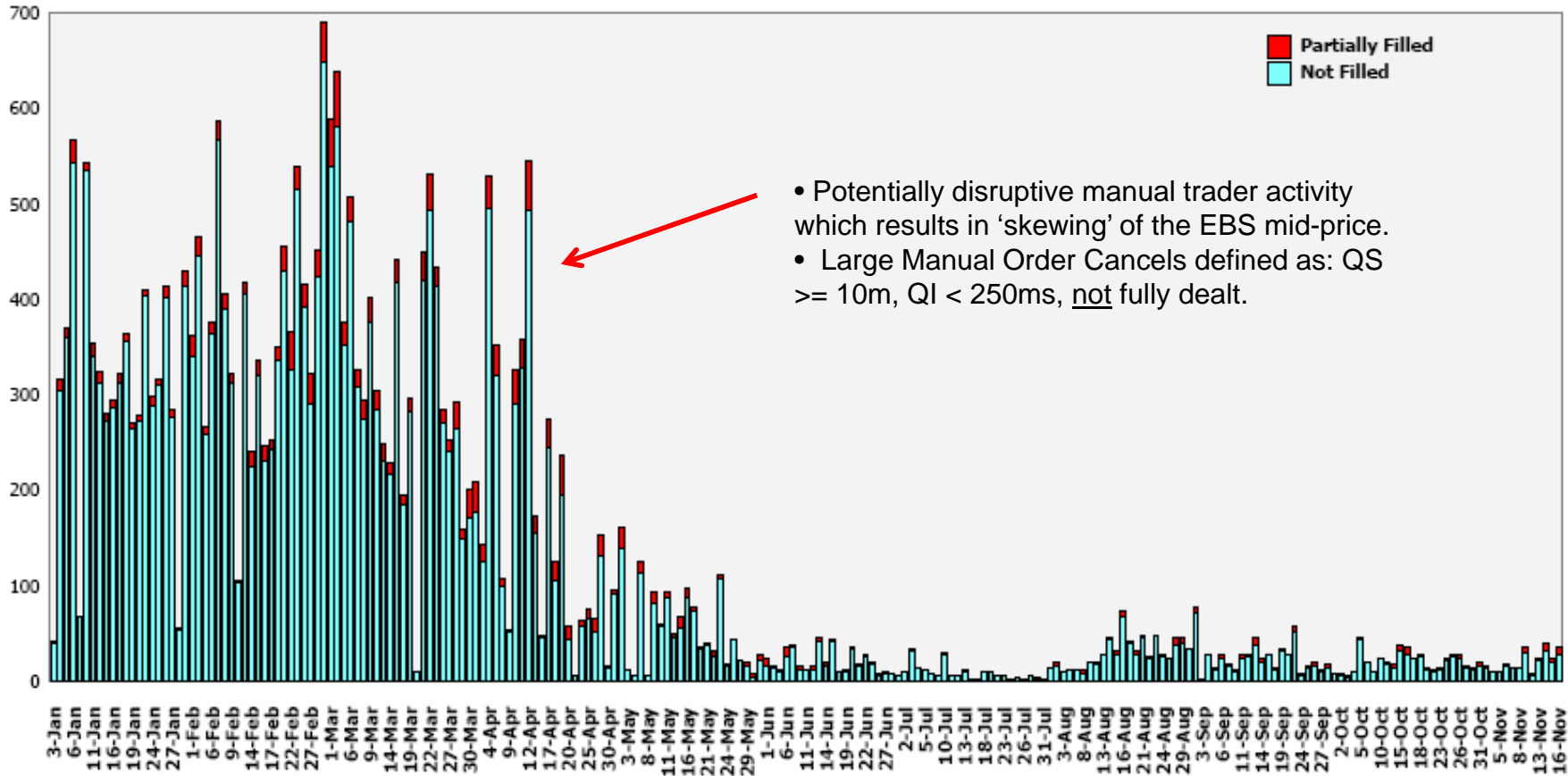
- Material improvements across all measurements:
 - Depth of book
 - Quality of liquidity
 - Mix of counterparties
 - Market share
 - Client satisfaction
- This is a remarkable experiment, not familiar elsewhere (to us) in public markets
- EBS is working with the market on the introduction of further material changes in 2013

Self Matching – Daily Average by Week in 2012



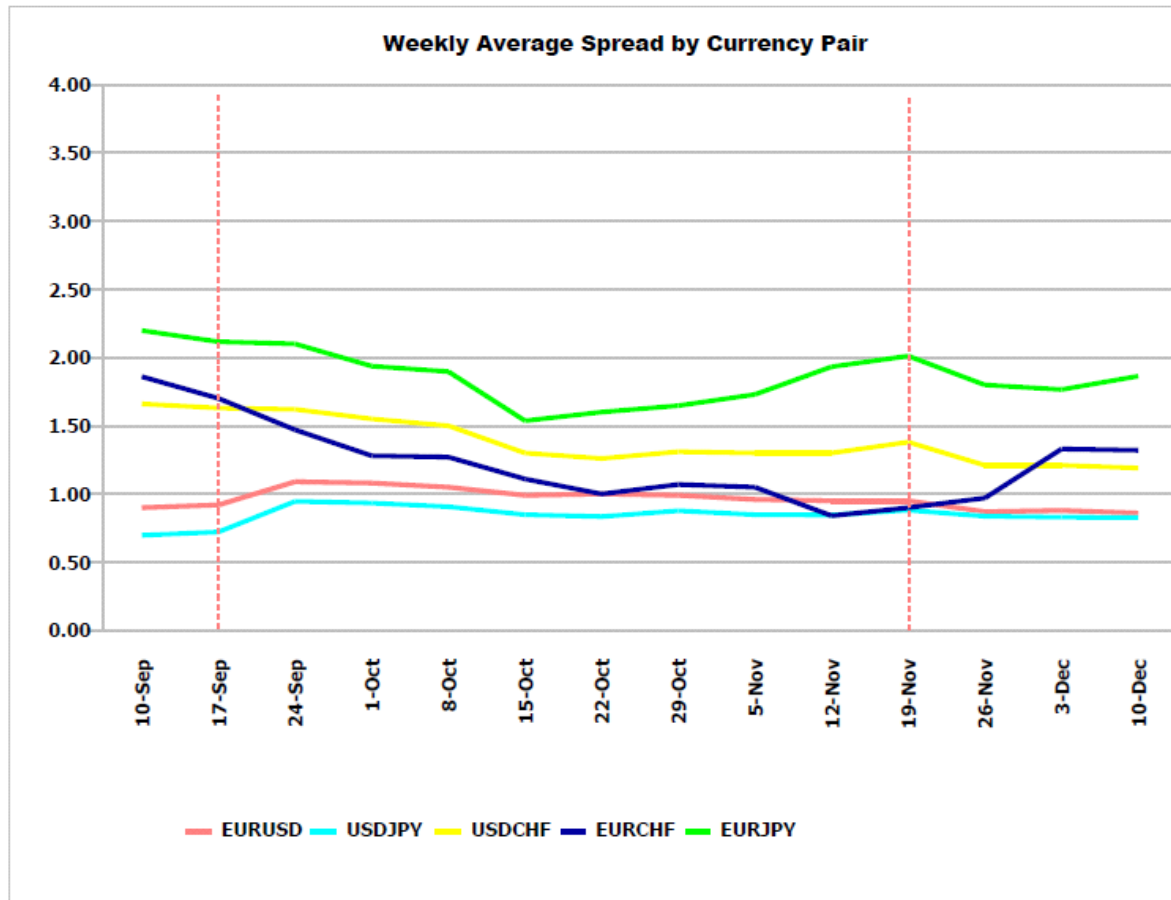
Through a combination of policy and technical solutions we have eliminated disruptive dealing activity resulting in liquidity removal in < MQL period.

Large Manual Order Cancels (< 250ms) in Majors



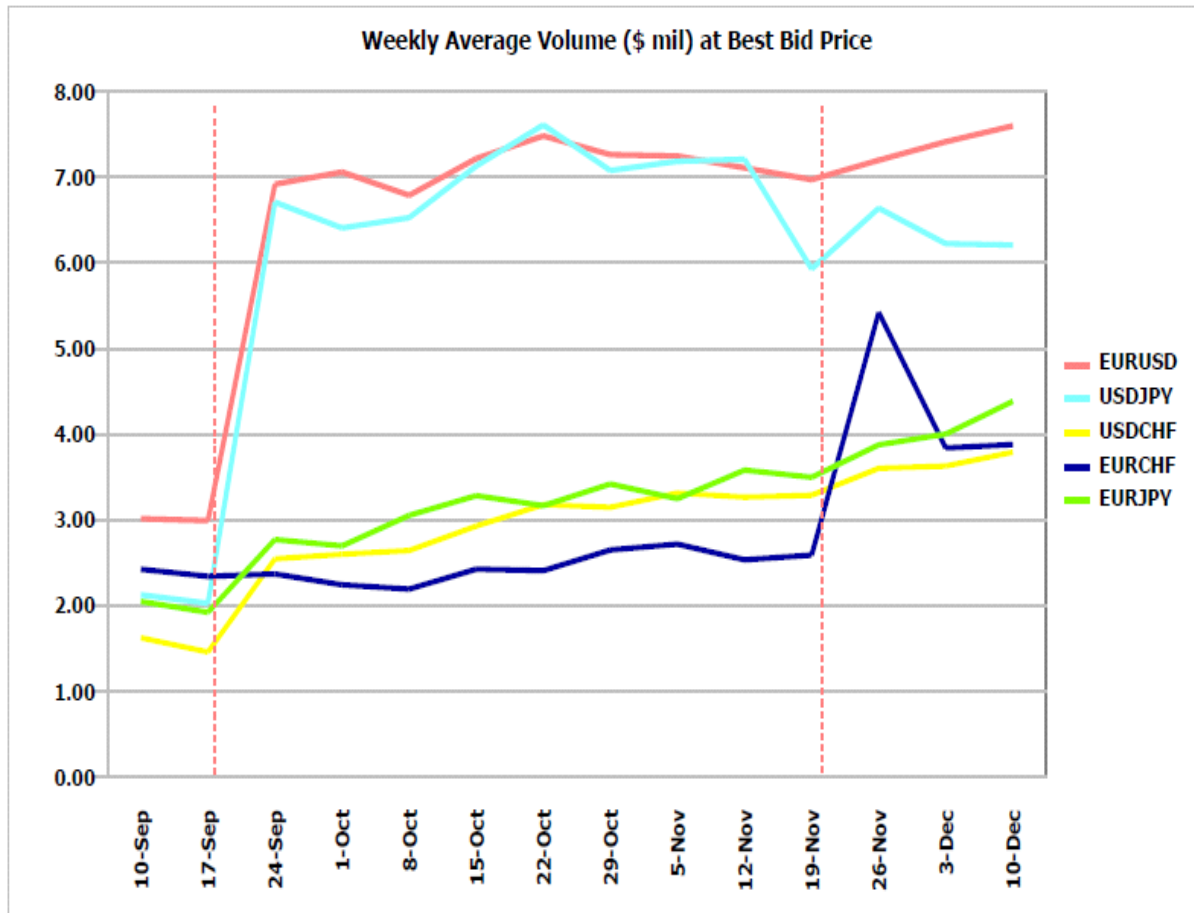
Real-time monitoring of filters for order attributes such as size, frequency and proximity to top of book, highlight potentially disruptive strategies irrespective of segment or access method.

Top of Book Spreads – Majors



	EURUSD	USDJPY	USDCHF	EURCHF	EURJPY
Pre 1/2 Pips	0.91	0.71	1.65	1.23	2.16
Week 1	1.09	0.95	1.62		2.10
Week 2	1.08	0.93	1.55		1.94
Week 3	1.05	0.91	1.50		1.90
Week 4	0.99	0.85	1.30		1.54
Week 5	1.00	0.83	1.26		1.60
Week 6	0.99	0.88	1.31		1.65
Week 7	0.96	0.85	1.30		1.73
Week 8	0.95	0.85	1.30		1.93
Week 9	0.95	0.88	1.38		2.01
Week 10	0.87	0.84	1.21	0.97	1.80
Week 11	0.88	0.83	1.21	1.33	1.76
Week 12	0.86	0.83	1.19	1.32	1.86
Wk 1-12 Avg	0.97	0.87	1.34	1.21	1.82

Top of Book Amounts – Majors



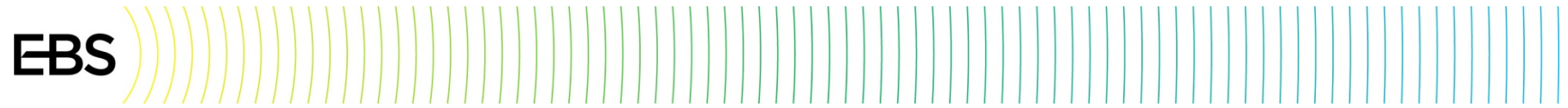
	EURUSD	USDJPY	USDCHF	EURCHF	EURJPY
Pre 1/2 Pips	3.00	2.07	1.54	2.44	1.98
Week 1	6.92	6.71	2.54		2.77
Week 2	7.06	6.41	2.60		2.70
Week 3	6.79	6.53	2.64		3.05
Week 4	7.22	7.13	2.93		3.28
Week 5	7.48	7.61	3.18		3.17
Week 6	7.27	7.08	3.15		3.42
Week 7	7.25	7.19	3.31		3.25
Week 8	7.11	7.21	3.27		3.58
Week 9	6.97	5.93	3.29		3.50
Week 10	7.20	6.64	3.60	5.42	3.88
Week 11	7.42	6.23	3.63	3.84	4.00
Week 12	7.60	6.21	3.79	3.88	4.38
Wk 1-12 Avg	7.19	6.74	3.16	4.38	3.41

Improvement in Order Book Quality – Majors

% of Quote Interrupts (QI) < 500ms – the % of quotes which are interrupted within 500ms of entering the book is **reduced by 24%**. We have seen an increase in average quote lifetime and the % of quotes which live in the book for > 1 second before being cancelled.

Hit Fill Ratios – as a result of more stable and increased inventory at each price point we have seen a **24% improvement** in IOC success rates, most significantly across the Manual and Bank Ai segments.

Top of Book QI < 500ms – a quote which establishes a new best price point at top of book and is immediately cancelled (i.e. < 500ms) without having been dealt is considered to be among the most disruptive of activities. These occurrences have been **reduced by 23%** across all major pairs and by 79% in EURCHF alone.



Improvement in IOC Order Execution

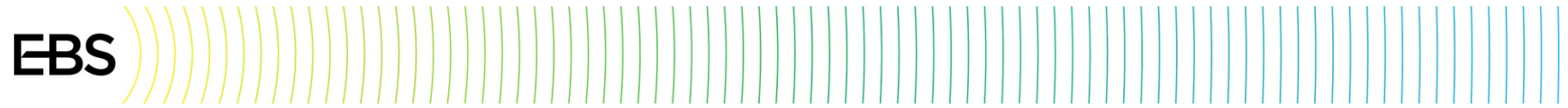
EBS's market share in USDJPY in Tokyo increased month on month in Q4 2012 post half-pip changes:

- Oct – 80.1%
- Nov – 84.3%
- Dec – 88.5%

Customer feedback indicates that a significant % of USDJPY volumes previously transacted through voice brokers has recently shifted back to EBS.

FX Market Challenges in 2013

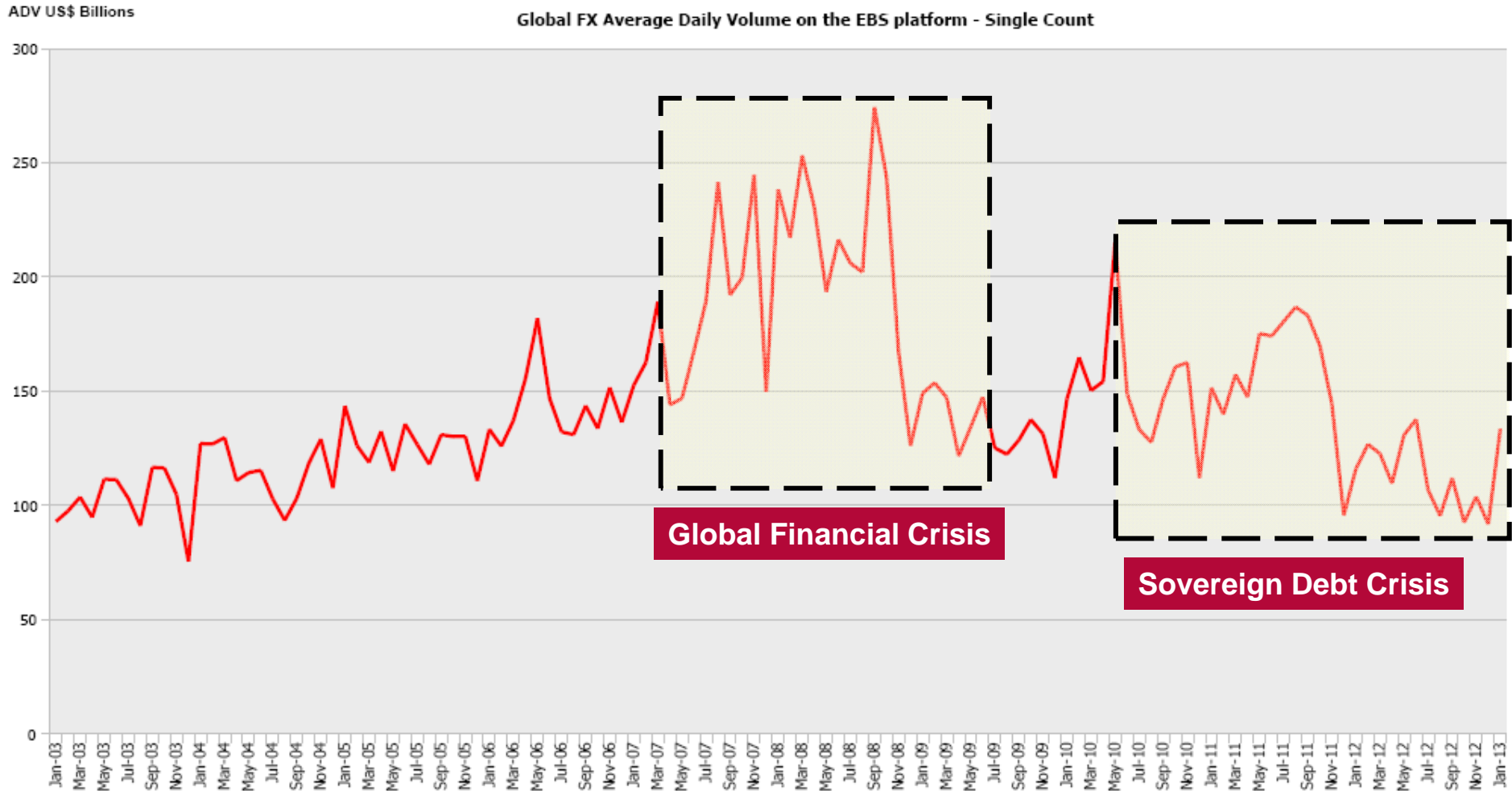
- Volatility
 - Risk Off
 - Low volatility increases internalization
- Structural cost base too high in the industry
 - Infrastructure and venue costs prohibitive
- Regulation
 - Compliance
 - How much of the flow will stop being traded?



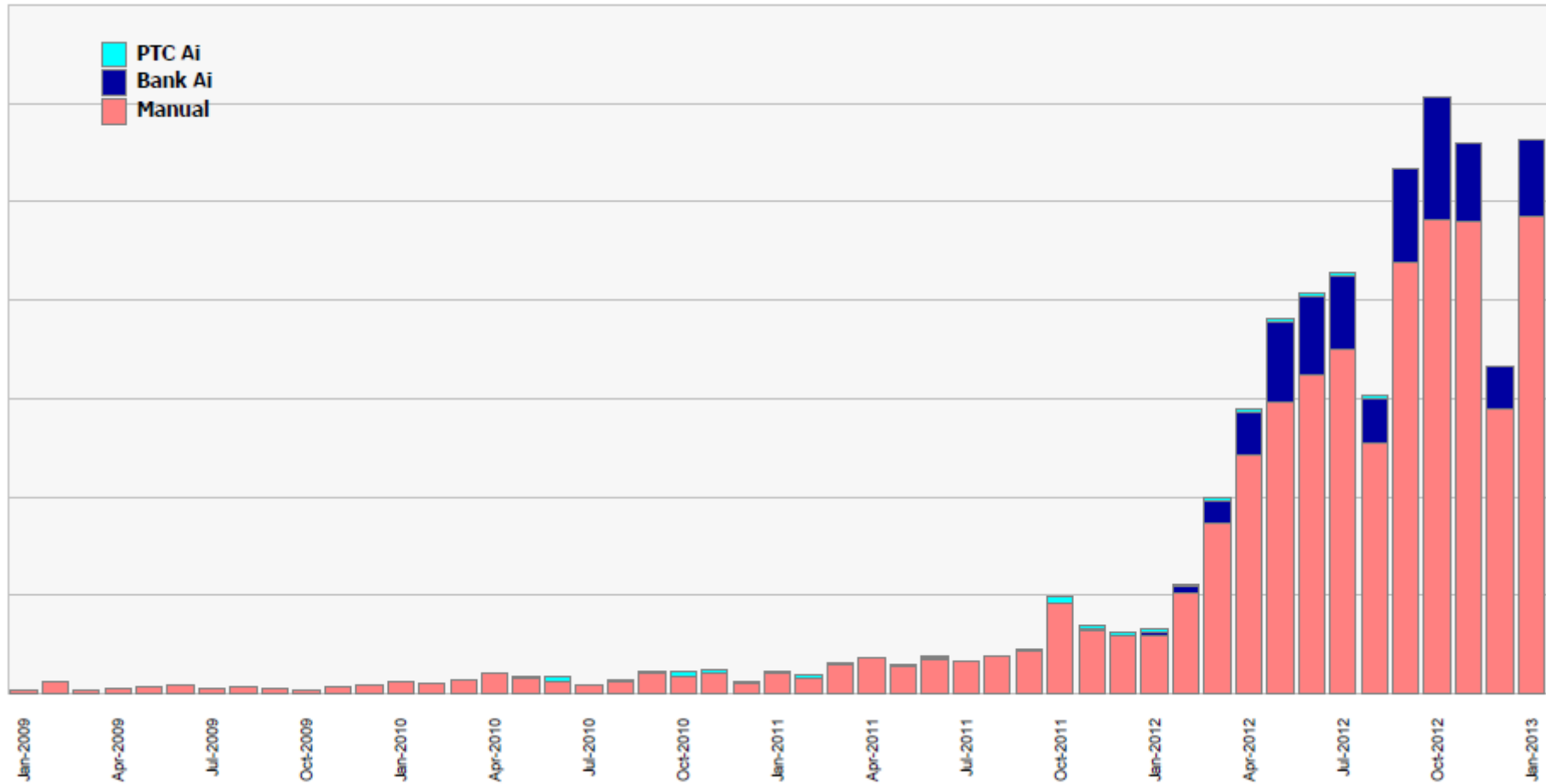
EBS Key Focus Areas

- Further improvements within the EBS Market
- EBS Direct
 - Low cost, highly scalable relationship-based trading
 - Delivered through the existing EBS connections
 - 20+ Liquidity Providers, Hundreds of Liquidity Consumers
 - Initial LC's are banks, further rollout to all types of institutional clients
- NDFs
 - The first CLOB for NDF
 - Continue accelerated growth (400%+) from last year
 - Prepare for SEF compliance
- Other

EBS global average daily volumes in context



NDF Trend



USD/RUB Trend

