

22nd March 2007

Fabrice Demarigny
Secretary General
CESR
11-13 avenue de Friedland
75008 Paris
France

Dear Mr Demarigny,

Response to CESR's Call for Evidence Pursuant to Paragraph 94 of CESR's "Best Execution Under MIFID" Public Consultation Paper Issued February 2007

Description of execution quality information available commercially

TradeWeb Europe Limited ("TradeWeb Europe") appreciates the opportunity to respond to CESR's call for evidence concerning the availability and suitability of commercially available information to evaluate best execution.

1. Background

TradeWeb Europe is a UK company and an indirect, wholly owned subsidiary of The Thomson Corporation ("Thomson").¹ TradeWeb Europe is currently authorised in the United Kingdom by the Financial Services Authority as an investment firm with permission to operate an alternative trading system ("ATS") and arrange deals in transactions within paragraph 25(1) of the Regulated Activities Order 2001. In addition, TradeWeb Europe has authorisation under the Investment Services Directive ("ISD") to provide the services of reception and transmission of orders on behalf of its customers on a pan-European basis. TradeWeb expects to become classed as a multilateral trading facility ("MTF") from 1st November 2007.

TradeWeb Europe and its U.S. affiliate, TradeWeb LLC, operate an internet-based communication network (the "TradeWeb System") that provides premium fixed-income market data, rapid price discovery and fast, efficient trade execution. The TradeWeb System enables institutional buy-side customers ("Users") to trade fixed income and certain derivative products with multiple Dealers ("Dealers") around the world.² More than \$170 trillion in trades have been executed over the TradeWeb System since its inception in 1998, and more than \$250 billion in securities and other

¹ Thomson is a global leader in providing integrated information solutions to business and professional customers. Thomson provides value-added information, software tools and applications to more than 20 million Users in the fields of law, tax, accounting, financial services, higher education, reference information, corporate training and assessment, scientific research and healthcare. With operational headquarters in Connecticut and a large European operation in London, Thomson has approximately 39,000 employees and provides services in approximately 130 countries. Thomson's common shares are listed on the New York and Toronto stock exchanges.

² Users currently include over 2,200 of the largest buy-side institutions such as asset managers, pension funds, mutual funds, insurance companies, commercial banks, central banks, hedge funds and regional dealers. There are 37 Dealers making markets and effecting trades with Users over the TradeWeb System.

interests change hands through the TradeWeb System every business day. TradeWeb is the leader in multi-dealer-to-customer electronic trade execution for 14 global fixed-income markets³ and also offers a range of other fixed income products, including interest rate and credit default swaps⁴. TradeWeb does not offer electronic trading facilities in the equity markets.

In connection with price discovery and trading, the TradeWeb System permits Users to view indicative bid and offer prices and commence simultaneous bilateral negotiations with Dealers. Once a User determines it wants to trade a particular bond over the TradeWeb System, it submits one or more trade inquiries on a fully disclosed basis to multiple Dealers simultaneously. All Dealers receiving an inquiry and willing to trade the specific security for the requested quantity will transmit to the User a firm quotation to buy or sell. The User reviews the quotations and determines to hit or lift the best quotation (enabling the User to trade all of the stated quantity of the security at the firm price submitted by the Dealer) or allow the quotations to lapse. Dealers and Users that effect transactions over the TradeWeb System are responsible for clearance and settlement of the trade using their customary procedures separate and apart from TradeWeb Europe and the TradeWeb System.

The TradeWeb System is only available to certain categories of professional investor, which in Europe are currently classified (under the FSA Handbook) as Market Counterparties and Intermediate Customers. Retail or private individuals are not able to access or trade over the TradeWeb System.

2. Key Points

We have set out in this section of our response the features of the TradeWeb System that support Users in demonstrating and monitoring best execution. We also outline the key areas where TradeWeb provides commercially available information and tools that can help Users evaluate best execution quality in the fixed income markets that TradeWeb makes available over the TradeWeb System.

a) The TradeWeb model

The TradeWeb System works primarily on a Request for Quote ("RFQ") basis, enabling Users to put multiple Dealers in competition to achieve the best price in a given security. Using this model, once a User determines it wants to trade a particular bond over the TradeWeb System, it submits one or more trade inquiries on a fully disclosed basis to multiple Dealers simultaneously. All Dealers receiving an inquiry and willing to trade the specific security for the requested quantity will transmit to the User a firm quotation to buy or sell. The User reviews the quotations and determines to hit or lift the best quotation (highlighted in green by TradeWeb). The User can then trade all of the stated quantity of the security at the firm price submitted by the Dealer or decide not to trade and end the trade or just allow the quotations to lapse. This model enables TradeWeb to provide a range of information to assist in the demonstration and monitoring of best execution, as outlined below.

b) The TradeWeb composite

Before launching an inquiry on the TradeWeb System, a User is able to identify the achievable market price through the live TradeWeb indicative composite price screens. The TradeWeb composite is

³ The 16 markets available for trading over the TradeWeb System are European Government Bonds, U.S. Treasuries, Supranationals and other European Agency Bonds, U.S. Agencies, Pfandbriefe, U.S. TBA-MBS, Euro Commercial Paper, U.S. Commercial Paper, Euro Interest Rate Swaps, U.S. Dollar Swaps, iTraxx (European credit default swap index), CDX (U.S. credit default swap index), U.S. Investment Grade Corporate Bonds, European Credit Bonds and U.S. Tri-Party Repo.

⁴ Interest rate swaps and credit default swaps were added to the TradeWeb System in 2005.

available for all products apart from the inventory products which are listed on the TradeWeb System⁵. Through prices supplied by its participating Dealers, TradeWeb generates an indicative composite bid and offer price for each of the relevant securities and displays them on composite price screens on the TradeWeb System. For example, the TradeWeb System provides two-sided markets for approximately 440 European government bonds, 440 Pfandbriefe Covered Bonds and 230 Supranational bonds. The prices displayed on the composite screens are not firm executable prices; however, recent data shows that approximately 85% of the trades that are executed on the TradeWeb System are executed at or within the indicative bid offer spread as then displayed on the TradeWeb composite screen.⁶

This composite price data is available to Users, Dealers and third parties on a commercial basis. Customers can subscribe to the various specific TradeWeb market data products, for example "Marks" - a download of the composite prices at specific times of the day, or a live pricing feed directly into the customer's system. TradeWeb also makes available the composite price data to third party vendors who redistribute this to their customers either as stand alone market data products or bundled with other market data.

c) Audit trails and Straight Through Processing ("STP")

For each trade executed on the TradeWeb System, Users are able to benefit from a number of post trade tools to assist in the evaluation execution quality. These include: a full audit trail giving a permanent electronic record of all User and Dealer actions during the course of the trade, a Trade Recap Screen showing the status of the negotiations at the point of execution and a Trade Detail page giving all details of the security being traded. Users are also able to download executed trade information directly to their own system from the TradeWeb System. TradeWeb also retains on site a record of all executed trades; these are accessible on request from Users.

TradeWeb also actively supports the integration of the TradeWeb System with Users' Order Management Systems ("OMS"). The links developed with both proprietary and third party vendors have enabled Users to benefit from a seamless flow of post trade information including executed prices, competing quotes and fund allocations. TradeWeb is continuing to develop such functionality to help customers improve their post trade data storage and trade analytics capability.

d) Additional tools which TradeWeb provides to allow customers to monitor best execution implementation

In response to strong customer demand, TradeWeb has developed a suite of products aimed at helping customers monitor their best execution policies. These include emailed reports, giving customer an overview of their trading activity, exception reports, peer comparisons and trade specific details.

The TradeWeb indicative composite is also used by many customers as a guide to achievable market price. Accordingly, TradeWeb has developed a number of tools, both online and through reports, for Users to benchmark their trading activity against the composite. Following customer demand, some of these tools can be used to evaluate trades executed outside of the TradeWeb System. All of these services have been developed after close consultation with and feedback from Users, regulators and trade associations. All have indicated that such services are appropriate to help monitor and support the process of best execution.

⁵ The inventory products are European Commercial Paper, US Commercial Paper, part of the European Credit Bond Platform (where Dealers can display their inventory if they wish) and the US Agency Platform.

⁶ Bid/offer spreads on the TradeWeb composite price pages tend to be less than 1bp (1/100th of 1%) in yield in European Government bonds. The cover spread (the difference between the price of the accepted trade by a user and the second best quote from the dealer) is also normally less than 1bp in yield for most European Government securities.



TradeWeb continues to interface with Users and Dealers in order to update and develop these tools as demand for best execution reporting and analysis services develop.

3. Conclusion

In conclusion, TradeWeb provides a wide range of tools and features that help customers achieve and demonstrate best execution in the markets available on the TradeWeb System.

* * *

We hope you have found our comments helpful. Please feel free to contact the undersigned Roger Barton (020 7776 3224) if you wish to discuss any aspects of this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "R Barton". The signature is fluid and cursive, with the first letter of each word being capitalized and prominent.

Roger Barton
Managing Director