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16th August 2010

The Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Re: Response to the CESR Consultation Paper: Standardisation and Exchange Trading of OTC Derivatives dated 19 July 2010.

Dear Sirs

Tradeweb Europe Limited ("Tradeweb") appreciates the opportunity to respond to the CESR Consultation Paper: Standardisation and Exchange Trading of OTC Derivatives (the "Consultation Paper").

Background

Tradeweb is a UK company and is authorised and regulated in the UK by the Financial Services Authority as an investment firm with permission to operate a multilateral trading facility ("MTF"). In addition, Tradeweb has authorisation under the Markets in Financial Instruments Directive ("MiFID") to provide the services of operating a MTF on a pan-European basis.

Tradeweb and its U.S. affiliate, Tradeweb LLC[1], operate an electronic global trading and communications network (the "Tradeweb System") that provides premium market data and competitive trade execution in fixed-income securities, derivatives and other instruments. The Tradeweb System enables institutional buy-side customers ("Users") to trade with the world's leading global dealers ("Dealers") in 20 different products.[2] More than $400 trillion in trades have been executed over the Tradeweb System since its inception in 1998, and more than $250 billion in securities and other interests change hands through the Tradeweb System every business day. As such, Tradeweb is the global leader in multi-dealer-to-customer electronic trade execution.[3]

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1 Tradeweb LLC is regulated in the United States as a broker-dealer and an alternative trading system (ATS) by the U.S. Securities Exchange Commission (SEC) and is a member of FINRA. Tradeweb is also regulated in Japan, Hong Kong, Singapore, Canada and Australia.

2 The products available over the Tradeweb System in Europe are as follows: (a) European Governments Bonds; (b) U.S. Treasuries; (c) Agency Discount Notes; (d) European Commercial Paper; (e) European Credit Bonds; (f) Credit Default Swaps; (g) Interest Rate Swaps (US dollar, Euro, Sterling, Yen, Swiss Franc and Swedish Kronor); (h) Mortgage Backed Securities; (i) Pfandbriefe / Covered Bonds; (j) Supranationals; (k) U.S. Agencies; (l) U.S. Commercial Paper; (m) Japanese Government Bonds; and (n) Deposits. In addition, Tradeweb intends to launch an equity derivatives platform.

3 Users currently include over 2,000 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 currently 40 Dealers making markets and effecting trades with Users over the Tradeweb System.

Tradeweb offers an electronic marketplace for Interest Rate Swaps (denominated in U.S. dollar, Sterling, Euro, Swedish kroner, Swiss francs and Yen) and CDS Indices (CDX and iTraxx). Since the launch of IRS trading in 2005, Tradeweb's IRS volume exceeds €4 trillion from more than 60,000 trades. Tradeweb pioneered the multi-dealer-to-customer electronic trading of derivatives and has spent the last five years building on its derivatives functionality – offering its participants greater flexibility to customise the derivatives instruments they trade so the participants can manage risk and maintain liquidity in the marketplace. Accordingly, Tradeweb's derivatives market enables market participants to create numerous deal structures and terms that are tailored to their risk management needs.

Tradeweb currently offers institutional clients the ability to (i) view live, real-time IRS and CDS Index prices from swap dealers throughout the day; (ii) participate in live, competitive auctions with multiple dealers at the same time, and execute an array of trade types (e.g., outrights, spread trades, rates switches, broken dates, etc.); and (iii) automate their entire workflow with integration to Tradeweb so trades can be processed from Tradeweb to customers' middle and back office in real-time and to third-party confirmation services and clearing houses. In addition, Tradeweb has functionality for dealers to issue ISDA confirmations for transactions processed through Tradeweb. In short, Tradeweb already provides the OTC marketplace with a front-end execution facility for derivatives that has tools and functionality in place to integrate with clearing houses to process trades. Tradeweb more recently introduced the ability for Users to access live, executable streaming prices for European Interest Rate Swaps.

The Tradeweb System permits Users to view indicative bid and offer prices providing the User with invaluable pre-trade price transparency. Once a User determines it wants to trade a particular security or derivative over the Tradeweb System, it can commence competitive auctions with Dealers through Tradeweb's Request for Quote ("RFQ") trading protocol. Through the RFQ process, a User submits a trade inquiry 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 and settlement date will transmit to the User a firm quotation to buy or sell. The User reviews the quotations and determines whether to allow the quotation to lapse, or 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) -- thus, each of the User and Dealer accepts the trade on the Tradeweb System.[4] Tradeweb has also developed a request for stream (RFS) functionality for the Interest Rate Swaps market to further enhance the platform and liquidity in these markets. In addition to this functionality Tradeweb has implemented Tradeweb Plus, a supplementary method of displaying individual dealers' prices to their clients for use either as a comparison or for execution.

Tradeweb believes in open and fair access, but believes it is critical that venues recognise the distinction between Users and Dealers (i.e., distinguish between the real liquidity providers and real liquidity takers), to promote financial integrity and support liquidity in the market.

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 and the Tradeweb System. We facilitate access to these clearance and settlement systems through the links we have with the main providers associated with the products traded on the Tradeweb System.

Key Issues

[4] Tradeweb has certain inventory based products also available on the system (ECP and EUCR).

We have responded to the questions posed in the Consultation Paper in the attached Schedule, in relation to derivative products available on the Tradeweb System. We have identified four key themes that we believe run through the Consultation Paper generally and so we have dealt with these below.

1. Standardisation

The legal and process aspects of standardisation as identified by CESR could be further evolved to benefit participants in the derivatives markets, and we are supportive of this. Relating to product standardisation, there has been, and continues to be, considerable progress driven by market demand in accommodating a wider range of product flexibility in the execution of derivatives through organised trading venues, bringing greater transparency and market efficiency to a wider range of products.

There will continue to be a requirement for more bespoke derivative products, where this is necessary for users to meet their commercial and risk management objectives, and such product flexibility remains key.

2. Terminology in the Consultation Paper

Throughout the Consultation Paper the words "Exchanges" and "Organised Platforms" or "Organised Trading Platforms" are used interchangeably. This is confusing. There are significant distinctions to be made between Exchanges and other trading platforms such as MTFs. We have throughout our response taken the use of the word "Exchange" in the Consultation Paper to mean both actual "Exchanges" (e.g. LSE) **and** organised trading venues (e.g. Tradeweb). It is critical that any future papers on this subject recognise this distinction and avoid further confusion; we are concerned that the responses that CESR receive on this Consultation Paper may also be confusing in this context.

An additional confusion in the Consultation Paper stems from references to bilateral trades being different from trades effected on "exchanges" or multilateral trading facilities. A trade that is effected on a multilateral trading facility is often the result of a multilateral negotiation between a buy-side customer and multiple sell-side liquidity-providing Dealers. A demonstration of this workflow is set out in the Annex Ultimately the trade may result in a bilateral agreement between the Dealer and the buy-side client.

3. Characteristics and Benefits of Multilateral Trading Facilities

Derivatives markets are utilised by users to manage their risk exposures. The range of risks being managed is very wide and different users' derivative trading requirements rarely match at any given moment in time. For this reason, the derivatives markets operate best on the basis of liquidity providers / market makers committing capital and providing liquidity to institutional liquidity takers / market takers to absorb differing risk requirements in an efficient manner. MTFs such as Tradeweb recognise the fundamentals of this market structure, and accommodate these characteristics within a transparent regulated framework, providing product flexibility to meet users requirements.

We believe that MTFs such as Tradeweb offer the benefits of organised trading venues as set out in the Consultation Paper (transparency, price formation, liquidity, operational efficiency and equal market access) whilst at the same time maintaining much of the flexibility and other advantages of the OTC market.

The traditional exchange model operates on a different basis: namely an 'all-to-all' model. Typically this model works best in circumstances where risk transfer can be achieved homogeneously on a highly standardised basis. This is not the case in the OTC derivatives market, and any attempt to force the derivatives markets onto an traditional exchange model risks damaging the liquidity and efficient operation of the market. Nor do we believe that such a course of action is necessary to achieve CESR's stated policy goals.

Set out in the Annex is a short demo of the Tradeweb System detailing the processes a buy-side customer does when effecting a trade on the Tradeweb System. The protocols that Tradeweb adopts for trading each of its products are individually derived from the structure of that specific market and in consultation with the market participants to ensure that as far as possible the needs of the participants of that market are met both on the buy-side and the sell-side.

4. Harmonisation with the Approach taken in the US

As the Consultation Paper highlights, the US has already passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Bill), covering, amongst other things, the trading of derivatives over Swap Execution Facilities (SEFs) or Exchanges. Whilst much rule making has yet to be completed, the US framework is reasonably clear. Substantive differences in the approach taken between the EU and the US in this area could result in regulatory arbitrage, leading market participants to favour trading in one jurisdiction over another. This is particularly the case given the global nature of the derivative markets. We therefore believe that in seeking to improve the systemic integrity of the OTC derivative markets, regulators should aim to ensure global harmonisation of regulatory approach.

We hope you have found our comments helpful. Please feel free to contact the undersigned Roger Barton (+44 (0)20 7776 3224), Enrico Bruni (+44 (0)20 7776 3282) or our International General Counsel, Alex Rutter, (+44 (0)20 7776 0913) if you wish to discuss any aspects of this letter.

Yours faithfully,

Roger Barton
Managing Director

Enrico Bruni
Managing Director

SCHEDULE

1. Do you agree with CESR's assessment of the degree of standardisation of OTC derivatives? Is there any other element that CESR should take into account?

We do not agree with the assertion in the Consultation Paper that "*in order for a product to be eligible for trading on automated systems, there needs to be a high degree of product standardisation and a limited requirement to negotiate price*"[5]. Organised trading venues such as Tradeweb already offer considerable product flexibility allowing participants the ability to customise their trades. For example, buy-side clients of Tradeweb can customise the request for quotes that they send to the dealers through the Tradeweb System to meet their particular requirements - the Dealers will respond to the request for quote being able to price their responses accordingly reflecting the preferences of the client. A customer can customise the dates and certain parameters of the cash flows of a swap transaction tailoring it to match the risk profile they are seeking to replicate or neutralise. Tradeweb also provides the facility for customers to execute specific trading strategies such as curves and butterflies. To meet demand, automated systems such as Tradeweb continue to expand the degree of customisation available.

2. Do you agree with the benefits and limitations of standardisation noted above? Please specify. Can you also describe and where possible quantify the potential impact of the limitations to standardisation? Are there any other elements that should be considered?

We agree with CESR that there is an important role for bespoke products and that certain transactions need to be customised to an extent that make them non-standard or bespoke. Typically new products start as being novel and bespoke and as demand increases so does standardisation in the areas identified.

3. Do you agree that greater standardisation is desirable? What should the goal of standardisation be?

We are generally in favour of greater standardisation of the legal and process aspects identified by CESR to enable trading through to settlement (and clearing) to be as efficient as possible whilst at the same time allowing clients the flexibility to conclude trades in the manner appropriate for their risk management needs, which will often involve customisation. As identified above, an increasingly wide range of product flexibility is offered by organised trading venues in a regulated and transparent framework and we do not believe that there is a need to standardise these offerings.

4. How can the industry and regulators continue to work together to build on existing initiatives and accelerate their impact?

We believe that the progress made by the industry, in conjunction with the regulators, through the industry commitments initiatives, has been substantial. Much of the emphasis of these commitments has been in the dealer-to-dealer markets, and we believe that the approach could also be extended to cover further the dealer-to-customer business.

5. Are there any obstacles to standardisation that could be removed by regulatory action? Please elaborate.

No comment.

[5] Paragraph 39 - Risk Management Benefits – Number 3 at Page 10 of the Consultation Paper.

6. Should regulators prioritise focus on a) a certain element of standardisation and/or b) a certain asset class? Please provide supporting rationale.

Considerable progress has been made in the standardisation of legal and process aspects of the OTC derivatives business, and there is scope for further standardisation in this area. There has been particular focus in these areas in the industry commitments over the past two years. Relating to product standardisation, there has also been progress to accommodate a wider range of market demand for product flexibility to be traded through organised trading venues. A greater range of OTC derivative products are now covered by platforms such as Tradeweb as market opportunities have been identified. In time this has led to more transparency and market efficiency for a wider range of products.

7. CESR is exploring recommending to the European Commission the mandatory use of electronic confirmation systems. What are the one-off and ongoing costs of such a proposal? Please quantify your cost estimate.

We believe that the use of electronic confirmations systems are a big step forward in terms of making it easier to complete transactions from start to finish electronically. As pointed out in the Consultation Paper, the use of electronic confirmation systems have the benefit of avoiding uncertainty and reducing the risk of unconfirmed trades. We would make the point that the information process can be considerably streamlined in the event that execution takes place electronically in the first instance: details of trades executed electronically are always digitised, confirmed to each counterparty, and the parties have the benefit of a full digital audit trail. Conversely, the use of electronic confirmation systems alone does not achieve the full benefits of end-to-end electronification.

Since the inception of the Tradeweb Interest Rate Swaps platform, Tradeweb has followed an agnostic approach with regards to electronic trade confirmation. Dealers and customers can and do exchange ISDA compliant confirmations using the Tradeweb System. In addition Tradeweb provides an automated link with external confirmation providers offering its buy-side customers and sell-side dealers a choice as to how to process confirmations.

We believe that there should be a range of different confirmation systems and trading venues available for market participants catering for frequent as well as occasional users. It is important that no action be taken in this area which risks stifling competition and therefore limiting the choice of solutions available to participants. We believe that there is a strong trend towards increased use of e-confirmation systems and so there may not be a need to mandate the use of these types of systems.

Any access to e-confirmation systems must be provided on an open and non-discriminatory basis and any confirmation system operator must provide access on the same terms for all venues. Confirmation system operators should not be permitted to provide preferential treatment to one venue (or form of venue) over another. Any confirmation system operator should be entirely neutral as to which venue the trade is being executed upon. Where access to the confirmation system is indirect through an intermediary then the confirmation system operator must similarly be obliged to ensure that the intermediary is also not able to discriminate between trading venues.

8. Do you agree with the assessment done by CESR on the benefits and limitations of exchange trading of OTC derivatives? Should any other parameters be taken into account?

We generally agree with the assessment done by CESR as to the benefits of trading on an organised trading venue, like Tradeweb and have the following comments to make in response to the points identified by CESR.

Comments on the section referring to the benefits of trading over an organised trading venue

Transparency: We strongly concur with the assertion that trading on organised trading venues provides high levels of transparency – with pre-trade transparency being tailored to meet the needs of the particular market. The details of any trades that are conducted on organised trading venues should be capable of being provided electronically to market supervisors.

Price Formation: Organised trading venues are able to offer a range of services which assist in the process of price formation, both directly and indirectly. In Tradeweb's situation the buy-side client is able to access indicative bid and offer prices for each derivative contract (of which, as noted above, there are many) that is listed on the Tradeweb System or firm streaming prices. These bid and offer prices are created by Tradeweb taking in all the prices submitted by the participating market making Dealers and with the use of a proprietary algorithm we produce aggregate bid and offer composite prices which are listed on the Tradeweb System. Before a buy-side customer trades on the Tradeweb System he/she can see the relevant composite price (or in the case of Tradeweb Plus the relevant streaming price from the selected Dealer) which will give him/her a good indication of the price that they are likely to receive from the Dealers – even on the complex derivatives instruments/trades. Indeed, over 85% of the time, Users of the Tradeweb System have their trades executed at or better than the composite price. We can provide additional data on the efficiency of execution and how transactions relate to the Tradeweb indicative composite at the time of trading. Tradeweb's role is not therefore just limited to bringing together the buyer and seller on the venue.

Liquidity: We do not believe that any execution venue enhances liquidity in and of itself. However, the combined effects of appropriate and well-defined transparency, increased product coverage and flexibility, properly defined trading protocols recognising liquidity providers as distinct from liquidity takers, and operational efficiency can together contribute significantly to liquidity. It must be stressed that the optimal combination of these factors, for an effective execution platform, which contributes to liquidity, must take into account the particular characteristics of the product. A solution for one product will not necessarily be correct for another. The point should also be made that whilst platforms invariably seek to achieve liquidity, this invariably takes time to achieve. For example, when Tradeweb launched Interest Rate Swaps in 2005, liquidity was provided by 6 Dealers, and volumes for the first quarter period totalled an average of under €400 million per day. This has grown over time, and there are now 16 Dealers with volumes averaging €4 billion per day.

Operational Efficiency: We agree that trading on organised trading venues provide substantial efficiency and risk mitigation gains along the whole process. It is not however necessarily true to say that almost all organised trading venues use a central counterparty. Tradeweb has established links with the major relevant central counterparties to allow a seamless flow of trades. Tradeweb aims to connect to the relevant confirmation systems and settlement arrangers for each product, to provide a seamless flow improving operational efficiency and reducing the risk of unconfirmed trades. In the case of Interest Rate Swaps and CDS Indices, Tradeweb connects through to the

relevant confirmation systems and central counterparty. For other products (e.g., Government bonds, credit bonds, etc.), different settlement arrangements apply.

Equal Market Access: The breadth of access to organised trading venues varies depending on the particular characteristics of the platform. The key point is that organised trading venues should establish objective access criteria and have the stability to have different classes of participants (i.e., liquidity providers and liquidity takers) so risk is managed effectively through the provision of liquidity.

Additional Consideration: A trade that is effected on an organised trading platform will have the benefit of being captured electronically allowing for the efficiencies already mentioned, and in addition, the possibility of capturing a wealth of associated data. For example, other prices of the same or similar securities at the time the trade was undertaken which assists in the documentation of compliance with best execution obligations.

Comments on the section referring to the limitations of trading over an organised trading venue

Standardisation Requirement: As outlined in the responses to previous questions, due to market demand there is still considerable scope and need to be able to customise a trade on an organised trading venue.

Room for Innovation: There is considerable opportunity to innovate and develop products on organised trading venues. One example of such innovation is a frequently used transaction that market participants use to hedge and/or express views on the outcome of ECB rate setting meetings. The market developed a specific OIS transaction whose dates mimic the ones of the ECB period and therefore provide effective hedging. With the market developing, Tradeweb received demands from both buy and sell side customers and as a result of this introduced an electronically tradable version of this transaction within the request for quote based European Interest Rate Swaps platform. The "electronification" of the execution contributed to the provision of transparency on the quantification of market participants' expectations of ECB interest rate setting decisions.

Transparency / Liquidity: There is certainly a risk that inappropriate transparency may be an issue for certain wholesale market participants. The appropriate transparency regime should be geared to the specific characteristics of the product and market. Furthermore, by imposing undue transparency requirements only on organised trading venues this may actively encourage trading outside of these venues and thereby reduce liquidity and transparency. We agree that there should be proper calibration of the transparency requirements for the derivative contracts deemed to be within the scope of these obligations and this should be applied regardless of the trading venue.

9. Which sectors of the market would benefit from/ be suitable for (more) exchange trading?

There continues to be a trend towards trading on organised trading venues in a wide range of asset classes. We believe that there is scope for further use of organised trading venues which already provide the very benefits set out in the Consultation Paper. Tradeweb has identified Equity Derivatives as being a further business segment that we believe is suited to electronic trading on the Tradeweb System in addition to the derivative products that we already have available. We are intending to launch a European Equity Options platform enabling clients to

trade a range of equity options products with market making dealers and taking advantage of the links that we have in place to assist them with the clearing and settlement of their trades.

10. In your view, for which sectors of the market will increased transparency associated with exchange trading increase liquidity and for which sectors will it decrease liquidity? Please specify.

We feel that individual analysis needs to be given to the specific product / sector to acertain the impact on transparency and liquidity when trading on an organised trading venue. Prior to the launch of a new product on the Tradeweb System, an extensive consultation process is undertaken with market participants to optimise the trading protocol associated with the product. This trading protocol covers areas such as the appropriate form of transparency for the particular product and market. This approach is intended to ensure optimal conditions to grow liquidity in the new product. The trading protocols for existing products are also kept under review and modified in the event of a change in market conditions. For example, this approach brought greater transparency to the government bond market through Tradeweb, and Tradeweb applied the same approach to its derivatives platforms – which has brought greater transparency in the 5 years they have been offered by Tradeweb.

11. Do you identify any other elements that would prevent additional OTC derivatives to be traded on organised platforms?

As set out on page 3 of our responses, confusion over terminology could hinder the effectiveness of regulatory measures.

12. How should the level of liquidity necessary/relevant to exchange trading be measured?

As stated above in response to question 10, Tradeweb undertakes a thorough consultation process before launching a product to ensure that the correct forms of transparency are provided to grow the liquidity in the product on the Tradeweb System.

13. Do you agree with CESR's assessment of the characteristics and level of standardisation which are needed for a contract to be traded on an organised trading venue?

As set out in our response to previous questions, we do not believe that product standardisation is necessary for a contract to be traded on an organised trading venue such as Tradeweb.

We feel that there is a need to be consistent with the approach adopted in the US in terms of the main criteria being that the instrument is clearing eligible. The same treatment should apply to the same instruments across the US and Europe to ensure consistency in the global marketplace.

14. Is the availability of CCP clearing an essential pre-determining factor for a derivative contract to be traded on an organised trading platform? Please provide supporting rationale.

No. Tradeweb has been trading derivatives on the Tradeweb System since January 2005 and during this time the overwhelming majority of these contracts were not centrally cleared. Clearing and settlement arrangements can be completed outside of the organised trading venues although those venues which are able to offer clients an efficient and seamless trade through to settlement process are likely to be more attractive to users.

15. Is contract fungibility necessary in order for a derivative contract to be traded on an organised trading platform? Please provide supporting rationale.

No. We do not believe that fungibility is essential for a derivative contract to be traded on an organised trading venue. Nevertheless, fungibility can be a benefit to users and is a characteristic of products traded currently on the Tradeweb System. For example, at the moment derivative contracts are traded on the Tradeweb System that then get unwound on other platforms and we consider this to be a good indication of the efficiency of the market in this respect.

16. Which derivative contracts which are currently traded OTC could be traded on an organised trading platform? Please provide supporting rationale.

We believe that the market continues to evolve to allow trading on organised trading venues when there is sufficient interest from the market for this to occur. As mentioned above in reference to question 9, we consider that Equity Derivatives (European Equity Options) are very capable of being traded on the Tradeweb System (even if they are classified by CESR as the least standardised category of asset class covered in the Consultation Paper).

17. Please identify the derivative contracts which do trade on an organised trading platform but only to a limited degree and could be traded more widely on these types of venues.

We believe that there is considerable scope for growth in the trading volumes on organised trading venues. This is certainly true across all derivative products traded on Tradeweb, i.e., interest rate swaps, credit default swaps, and equity derivatives. Across these products, the greatest volumes traded on Tradeweb are interest rate swaps, but even so for this product, less than 10% of the business is traded on organised trading venues.

18. In the OTC derivatives context, should any regulatory action expand the concept of "exchange trading" to encompass the requirements set out in paragraph 86 and 87 or only the requirements set out in paragraph 86? Please elaborate.

We believe that organised trading venues should provide the benefits set out in section 3.2.1 of the Consultation Paper; namely transparency, price formation, liquidity, operational efficiency and equal market access. For example, a customer should be able to view and compare prices available from multiple participants prior to trade execution and to be able to benefit from operational efficiencies pre- and post- trade.

19. Do current trading models and/or electronic trading platforms for OTC derivatives have the ability to make pricing information (both pre- and post-trade) available on a multi-lateral basis? Please provide examples, including specific features of these models/platforms.

Yes. Tradeweb distributes pre-trade pricing information in a range of forms to participants and information distributors. We currently disclose post trade information to the participants of the trade and we have the capacity to provide any of this information on a wider basis should this be required.

20. Do you consider the SI-regime for shares relevant for the trading of OTC derivatives?

We believe that the characteristics of the SI-regime are largely geared towards the equity market, and additionally, it is not clear how in the context of the derivatives markets this would offer the benefits set out in section 3.2.1 of the Consultation Paper. In addition, they do not appear to be consistent with the definition of a SEF as set out in the Dodd-Frank Bill.

21. If so, do you consider that the current SI-regime provides the benefits described above which 'exchange trading' may offer or are amendments needed to the SI obligations to provide these benefits to the OTC derivatives market?

N/A.

22. Which characteristics should a crossing network regime, as envisaged in the review of MiFID, have for a CN to be able to be qualified as a MiFID "organised trading venue"?

No comment.

23. In your view does the envisaged legislative approach in the US leave scope for regulatory arbitrage with the current EU legislative framework as provided under MiFID? Would regulatory measures taken in the EU to increase 'exchange trading' of OTC derivatives help to avoid regulatory arbitrage?

We are concerned that there could well be scope for regulatory arbitrage where the EU is not following the same or a similar approach to the US. This is particularly the case with regards to the approach taken to defining standardised products. If a particular contract is deemed "standardised" and thus required to be traded on an exchange or a SEF and cleared through a central counterparty in the US there should be the same treatment for that contract in the EU. Otherwise there may be an incentive for market participants to either move their trading business to or from Europe as they see as being most advantageous to them. This is a particular risk given the global nature of the derivatives business. Any regulatory measures to be taken in the EU to increase trading on organised trading venues need to be implemented in a manner consistent with the regulatory measures adopted in the US.

24. The Commission has indicated that multi-laterality, pre- and post-trade transparency and easy access are key aspects of the concept of "on exchange" trading. Do you agree with CESR applying these criteria in its further analysis of what this means in the EU context, in particular in applying MiFID to derivatives trading?

As we have stated previously, we believe that the benefits set out in section 3.2.1 of the Consultation Paper (namely transparency, price formation, liquidity, operational efficiency and equal market access) are key benefits of organised trading venues like Tradeweb.

25. If not, do you consider that MiFID requirements and obligations should be refined to cover deviating characteristics of other electronic trading facilities? Please elaborate.

N/A.

26. Are there any market-led initiatives promoting 'exchange trading' that the regulators should be aware of?

Tradeweb is a market led initiative promoting trading on its multilateral trading facility.

27. Which kind of incentives could, in your view, efficiently promote greater trading of standardised OTC derivatives on organised trading venues? Please elaborate.

As set out in our response to question 28, the use of incentives to encourage execution on organised trading venues differs from the approach being followed in the US, and therefore risks regulatory arbitrage. In addition, it is not clear what form such an incentive program might take. The main suggestion to date has concerned regulatory capital incentives but it is not clear how such incentives could in practice operate on a trade-by-trade, as opposed to a position, basis.

28. Do you believe there would be benefits in a mandatory regulatory action towards greater trading of standardised OTC derivatives on organised venues? Please elaborate.

The movement to more electronic trading of derivatives on organised venues will improve price transparency, liquidity, operational efficiency and equal market access – the very benefits both the EU and US seek to achieve. Moreover, we believe that there is a need for both the approach in the EU and US to be consistent. The US has already declared that standardised derivatives must be traded on an SEF or Exchange. We perceive MTFs as being very similar in nature to a SEF and think it would be inconsistent across a global market to have a requirement in one jurisdiction for contracts to be traded on a specific venue and in another for them to be traded on any venue.

29. Harmonised identification of swaps contracts – the TW Swap ID

At the public hearing on the Consultation Paper in Paris on 11 August, a further question was asked regarding the use of identification codes in derivative contracts. To facilitate electronic trading of different derivative contracts, Tradeweb has developed a methodology to identify each of these in a consistent format. This security identifier is used by Tradeweb and its customers in the following contexts:

(a) Searching for swaps contracts on the Tradeweb System
(b) Electronic presentation of derivative trade requests to liquidity providers on Tradeweb
(c) Electronic transmission of orders from customers' OMS into Tradeweb
(d) Electronic transmission of execution messages from Tradeweb to customers' and dealers' risk systems
(e) Delivery of Market data – used to identify both real-time (pricing) and static data on derivatives contracts
(f) Delivery of analysis to market participants on derivatives trading activity.

Sample methodology for € denominated swaps is given below. The methodology covers all swaps contracts eligible for trading on the Tradeweb System across all currencies.

Euro

For IRS securities, the generic format of the ID field is **MCEEETTTIIIF**, where

M represents instrument type. Valid values are R for IRS, O for OIS.

C represents currency. Valid values are E for EUR, U for USD, P for GBP, H for CHF, D for DKK, N for NOK, S for SEK.

EEE represents the number of effective weeks/months/years. This is used by EONIA or SONIA forward runs and forward starting swaps 01W, 12M or 02Y

TTT represents the tenor e.g. 01M, 02W or 05Y

- III represents the index. Valid values are E6M (Euribor 6 months), E3M (Euribor 3 months), E1M (Euribor 1 month), EON (Eonia), FCC (Fed Fund Compound), L1M (Libor 1 month) and L3M (Libor 3 months), L6M – Libor 6 months, SON – Sonia, C6M – Cibor 6 months, N6M – Nibor 6 Months, S3M – Stibor 3 Months

F represents frequency. Valid values are A (annual) and S (semi-annual).

For the IRS EUR IMM Swaps, the format of the ID field is REMYYTTYE3MA, where

- M represents the forward start month. Values M - March, J - June, S - September, D – December
- YY represents the forward start year. 06, 07 etc.
- TT represents the tenor, 01, 02, 05, 10.

For IRS EUR Asset Swaps the format of the ID field is <ISIN>ASW, where

- <ISIN> is the ISIN instrument identifier for the EUGV security for which the asset swap spread is being quoted.

Examples of ID fields are:

RE00002YE6MA	IRS EUR 2 year Vs Euribor 6 month Annual
RE00008ME1MA	IRS EUR 8M Vs Euribor 1 month Annual
OE01M02MEONA	OIS EUR EONIA forward run 1x2
RE05Y02YE6MA	IRS EUR 2Y-5Y FWD Vs Euribor 6 month Annual
RP00002YL6MS	IRS GBP 2 year Vs GBP Libor 6 month Semi-Annual
DE0001135226ASW	Identifier used to supply the asset swap spread values against the DBR 4.750 07/04/34 security.
RD00006YC6MA	IRS DKK 6 year Vs Cibor 6 month Annual
RN00007YN6MA	IRS NOK 7 year Vs Nibor 6 month Annual
RS00010YS3MA	IRS SEK 10 year Vs Stibor 3 month Annual

Annex A

Tradeweb — OTC Derivatives Market

Tradeweb has been trading OTC derivatives electronically since 2005.

IRS

Currencies: Dollar, Yen, Euro, Sterling, Swiss Franc and Swedish Kronor

- Launched in 2005 with two currencies
- Now 6 currencies
- Over 60,000 swap trades and €4 trillion notional since launch
- Over 150 different companies have done a swap trade on Tradeweb in the last 15 months
- 80 trades per day average over the last 7 consecutive months

CDS

Indices: *CDX, iTraxx*

- Launched January 2005
- Real-time pricing from all 7 participating dealers
- Live, two-sided market pricing for a broad range of CDX and ITRAXX indices
- Unique Trading Protocols – Request for Market (RFM) allows user to request a two-sided, live market from a single dealer.

Further details of the range of instruments traded for these two products and the bid-offer spreads experienced, are set out overleaf.

Interest Rate Swaps

€ Interest Rate Swaps
- IRS: Plain Vanilla 1 to 50 years vs. 6M and 3M €uribor, 3M to 2 years vs. 1M €uribor, forwards, IMM dates, broken end dates, curve spreads and butterflies are available
- OIS: 1W to 24M vs. EONIA, forwards, broken start and end dates, ECB + IMM dates, curve spreads and 2Y to 30Y vs. EONIA

US $ Interest Rate Swaps
- Plain Vanilla 1 to 40 years (semi bond & annual money) vs. 3M Libor, IMM swaps, Treasury spreads, spread switches, curve spreads (rate switches), butterflies and unwinds
- 1M to 12M OIS vs. Fed Funds

£ Interest Rate Swaps
- Plain Vanilla 1 to 50 years and curve spreads
- SONIA: 1W to 24M, forwards and curve spreads

¥ Interest Rate Swaps
- Plain Vanilla 1 to 40 years, curve spreads and butterflies

CHF Interest Rate Swaps
- Plain Vanilla 2 to 15 years and curve spreads

SEK Interest Rate Swaps
- Plain Vanilla 2 to 12 years and curve spreads

Credit Default Swap Indices

Markit iTraxx Europe Indices
- **Scope of Contracts Supported**
  - Europe Main 5 & 10 Years, HiVol 5 & 10 Years, Crossover 5 & 10 Years
  - Most recent "On The Run" contracts and preceding "Off The Runs"

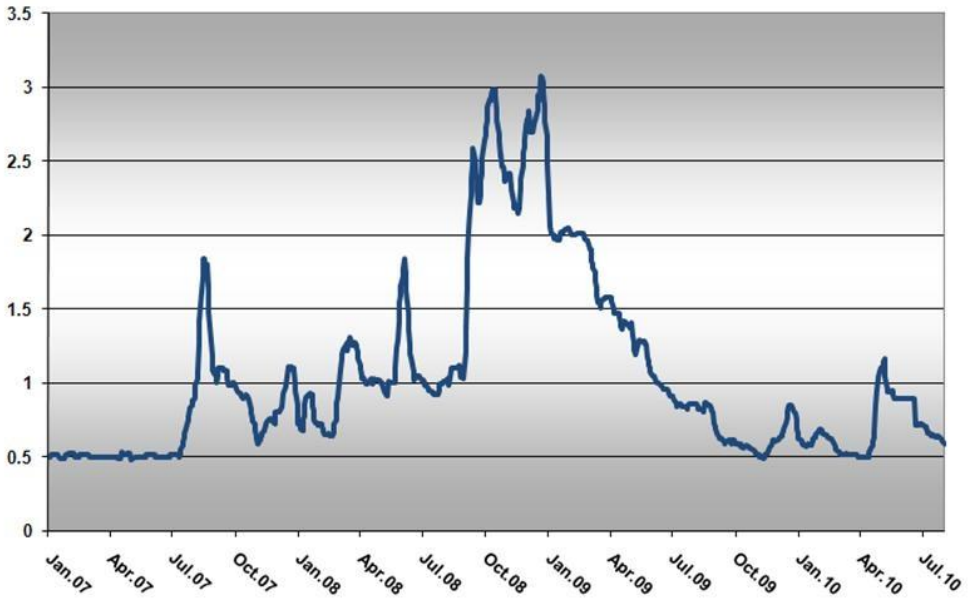
- **Trading & Processing**
  - New Trades & Novations/Unwinds (with ensuing electronic novation consent functionality supported)
  - Electronic, real-time links to MarkitSERV and ICELink
- **Trade Types**
  - Competitive (1-sided) quote auctions for
    - Single contract outright trades
    - 2 contract "roll" trades (between different contract Series – e.g.On The Run vs Off The Run
    - 2 contract curve trades – e.g. 5 Year vs 10 Year
    - 2 contract spread trades – e.g. Europe Main vs Crossover
  - "Request for Market" (2 sided: bid & offer) trade enquiries to single dealer

Markit CDX Indices
- **Scope of Contracts Supported**
  - IG 3,5,7 & 10 Years, IG.HVOL 3,5,7 & 10 Years, HY 5 Year, HY.B 5 Year & HY.BB 5 Year
  - Most recent "On The Run" contracts and preceding "Off The Runs"

- **Trading & Processing**
  - New Trades & Novations/Unwinds (with ensuing electronic novation consent functionality supported)
  - Electronic, real-time links to MarkitSERV and ICELink
- **Trade Types**
  - Competitive (1-sided) quote auctions for
    - Single contract outright trades
    - 2 contract "roll" trades (between different contract Series – e.g.On The Run vs Off The Run
    - 2 contract curve trades – e.g. 5 Year vs 10 Year
    - 2 contract spread trades – e.g. IG vs IG.HVOL
  - "Request for Market" (2 sided: bid & offer) trade enquiries to single dealer

Bid-Offer Spread (in bp)

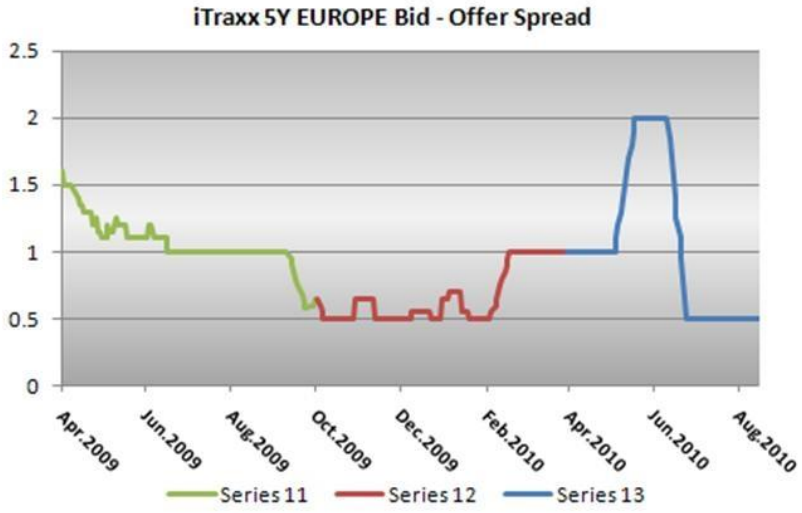
Tradeweb



- Indicative composite bid-offer spread of 10 Y € IRS

Bid-Offer Spread (in bp)

Tradeweb



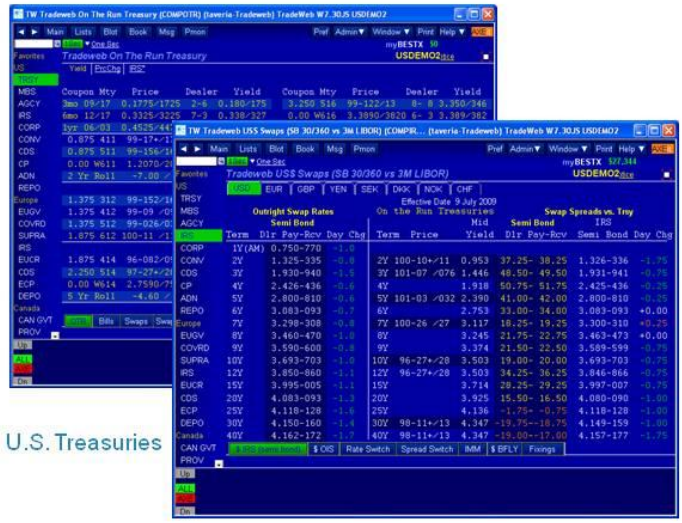
Annex B

Tradeweb

Tradeweb Demo

Pre-trade Price Transparency

Tradeweb

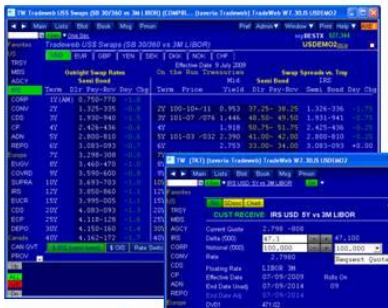


U.S. Treasuries

Interest rate swaps

Tradeweb's pre-trade prices provide a real-time view of the OTC derivatives market. More than 80% of all derivatives trades on Tradeweb are executed at or inside the pre-trade indicative price.

Trade Execution

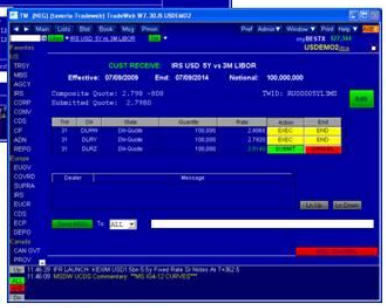


Composite Page

1. Client views indicative prices and clicks on a contract

Trading Ticket

2. Client chooses dealers and sends trade ticket



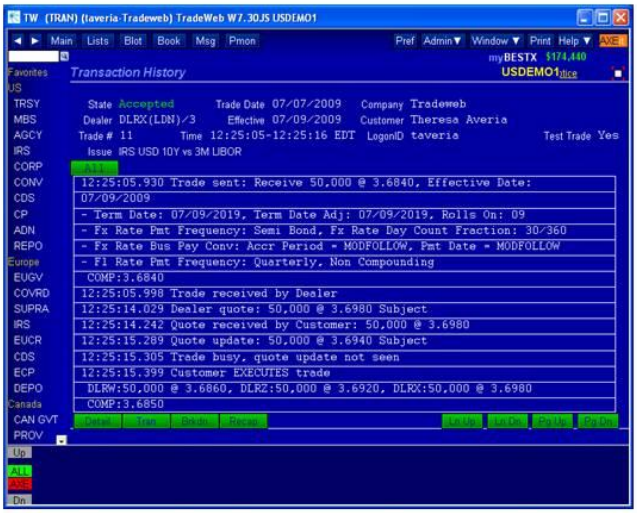
Negotiation Page

3. Client selects best price (highlighted) and executes trade

Digital Record-keeping

User's Trade Blotter provides a permanent, downloadable record of all trades and trade inquiries by clients.

Audit Trail



User's Transaction History provides a second-by-second record of how the trade was executed and processed.