

INTERDEALER BROKERAGE: A LIQUIDITY PROVIDER THAT CHARTS THE FUTURE

Tullett Prebon's interdealer brokerage provides the financial industry with key data and benchmarks for evaluating market changes and is also used to calculate complex financial instruments.

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To meet their financing and risk management (hedging) needs, large banks, in particular commercial and investment banks, use the services of interdealer brokers such as Tullett Prebon. Interdealer brokers operate as an intermediary in wholesale financial markets facilitating the trading activities of their clients, drawing together liquidity to match buyers and sellers. Competition reasons or liquidity requirements dictate that an investment bank like Goldman Sachs will not choose JP Morgan as counterparty for the execution of major forex trades, for instance. Instead it will use the services of an interdealer broker. The interdealer broker plays the role of pure intermediary, negotiating a fair price between buyer and seller. Interdealer brokerage (IDB) covers not only pure currencies, but also more complex financial instruments like swaps, inflation-linked derivatives and mortgage-backed securities. British firm Tullett Prebon is one of the world's leading interdealer brokers. Tullett Prebon's interbank transactions are conducted round-the-clock by about 2 500 brokers and are generally "voice-brokered" (phone trading). London and New York both play a key role, with each trading room having up to 700 brokers. Through its sub-

sidiary, Tullett Prebon Information, Tullett Prebon distributes all financial information from the interdealer brokerage on a worldwide basis. The Tullett Prebon data covers all areas of the IDB business. What's more, it offers complete packages for the different market segments (money market, capital market, fixed-income securities, etc.). Due to their scale of coverage, these can also serve as benchmarks for the end-user.

For use in different branches of finance

Telekurs Financial last year decided to add the Tullett Prebon interbank data to its financial information offering. Telekurs Financial is convinced that Tullett Prebon data offers significant value added for the various branches of the financial industry. Interdealer brokerage trades can serve as an important reference for market participants, as interdealer brokers are geared solely towards negotiating a fair market price. With no positions of their own, there is no temptation for them to steer the market in a specific direction. In many cases, therefore, providers of structured products use the transactions and reference values from interdealer brokerage to calculate the value of underlyings.

Furthermore, this data provides analysts with vital information on future market developments – and developments in the interbank business chart the way forward for equity, bond and derivative exchanges. For fund managers, specifically those of hedge funds (which base their investment policy on specific market changes) these indicators are in fact indispensable. Finally, the data is also helpful to smaller financial institutions. For instance, a regional bank can use current IDB market prices as reference for its transactions with other trading partners.

Market-specific screens in Telekurs iD

As of spring 2006, Tullett Prebon's data offering – broken down into money markets, treasury, swap and mortgages – has been fully integrated within the Market Data Feed (MDF) and the financial information display system Telekurs iD. The data is delivered directly from the Tullett Prebon price systems on a real-time or end-of-day basis, depending on which Telekurs iD package has been chosen by the customer. In addition to special lists, the Advisory Package for the Java version of Telekurs iD also offers screens giving market-specific summaries. ■