

COMPETITION MAKES IT A GOOD TIME FOR CLIENTS

In the second of a series of articles on developments and innovation in the e-commerce market place, Rhomaios Ram, global head of e-commerce sales at Deutsche Bank, discusses the relative merits of single-dealer portals and multi-dealer platforms and suggests how the plethora of trading venues that now exist is ultimately good for the client.

With the number of electronic trading solutions, both single-dealer and multi-bank, growing at an ever increasing rate, clients now enjoy unparalleled electronic access to liquidity, products and market across all the major asset classes. Some could suggest it has never been better to be a client! The result of this growth and increased competition has been improved execution, greater transparency and ultimately lower trading costs.

However as the growth of this important distribution channel continues to accelerate, the debate between the relative merits of single dealer platforms, such as Deutsche Bank's autobahn® and multi-bank portals such as FXAll and Tradeweb continues.

As one of the pioneers in the single dealer electronic market place, Deutsche Bank has invested significantly, over the last 12 years, in a range of proprietary products and services designed to meet the risk management and investment requirements of our global markets client base.

GLOBAL LEADER

Deutsche Bank was the first bank to provide fixed income prices electronically to their clients when autobahn®FI was launched in 1996. Furthermore our e-commerce strategy has been integral to our emergence as the No.1 FX dealer globally as measured by Euromoney in their annual FX poll. In the 2007 poll, Deutsche Bank recorded an e-trading market share of 58.66 per cent on its autobahn®FX platform.

Since embarking on this



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strategy, Deutsche Bank has developed autobahn® into a truly cross asset class platform which Profit & Loss Magazine recently described as the "the ultimate client facing platform".

There is no doubt that the provision of a proprietary single dealer e-commerce platform is considered core to Deutsche Bank's e-commerce strategy. Deutsche Bank has established a competitive advantage in global markets by building a reputation for delivering "intellectual capital" to their clients in the form of innovative risk management, investment and financing solutions. We decided the best way to ensure that this advantage was transferred to the world of electronic markets was to focus on the delivery of a range of proprietary services combining our market leading product and analytic services with

cutting edge distribution technology.

autobahn® has enabled Deutsche Bank to differentiate itself from the competition by offering a range of cross asset services that few banks can match.

AUTOBAHN® IS MAKING MORE AND MORE OF DEUTSCHE BANK'S PROPRIETARY ANALYTICS AVAILABLE TO ITS CLIENTS' "ONLINE"

While access to liquidity in a fast and reliable fashion is in most clients' Top 3 electronic trading requirements, it represents only a part of the wider non voice services package now being demanded by clients. autobahn® is making more and more of Deutsche Bank's proprietary analytics available to its clients' "online", enabling clients to make more informed trading and execution decisions.

autobahn®TradeFinder, Deutsche Bank's fixed income analytics tool was originally developed as an in-house fixed income analytics system but has now been made available to clients. Furthermore as clients continue to demand new functionality, Deutsche Bank has responded by adding new and cutting edge services to autobahn® platform.

UNIQUE SERVICES

Many of the services that are offered on the autobahn® platform are simply not available on the current crop of multi-bank plat-

forms. For example, autobahn®sphere, Deutsche Bank's structured product platform allows clients to auto-issue bonds and structure swaps linked to a range of structures including Deutsche Bank's proprietary indices.

While autobahn® is core to Deutsche Bank's e-commerce strategy, it does not represent an "all or nothing strategy". autobahn® is a part of an integrated strategy developed to deliver clients with the best possible electronic distribution service across a range of debt & equity products.

While Deutsche Bank's proprietary e-commerce offering has been developed in close consultation with clients, we also recognise that many of our clients have requirements that are more suited towards multi-bank trading venues. Any bank that decides upon a purely single-dealer strategy cannot claim to be truly client-led. They will lose business as a result.

Deutsche Bank recently expanded its range of products on TradeWeb to include interest rate swaps. As a market leader in the provision of interest rate derivatives*, we acknowledge that many of real money accounts wish to access our liquidity using a multi-bank platform such as Tradeweb.

Given this demand it made perfect business sense to provide our liquidity via this multi-bank platform. Existing clients and market participants now have access to the enormous liquidity Deutsche Bank provides the interest rate derivative markets.

Deutsche Bank has taken particular care to integrate its electronic offering with the traditional range of voice based structuring and distribution services to ensure that clients receive access to the best of both worlds. In the same way, we are not in the business of limiting access to Deutsche Bank's liquidity by not providing liquidity to venues that our clients wish to trade on.

Multi-bank platforms have an important role to play in the electronic market place and Deutsche Bank will continue to provide pricing and liquidity to the relevant platforms. With the significant benefits that can be gained from



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trading and processing trades electronically, Deutsche Bank expects market participants, across all asset classes, to migrate a greater percentage of their business towards electronic trading venues. Technology and client demand are driving this change and as such the market for single dealer offerings and multi-bank platforms both have a bright future.

That said, some banks might struggle to support this new distribution model that is developing. The cost of supporting both voice trading and the technology development that is required to offer a full suite of e-commerce options does not come cheap.

DIFFERING DEFINITIONS

While clients will always demand "best execution" this definition can differ greatly depending on the type of client or the specific requirement of that client. To some, best execution will be defined by the best price in the market where as others might define this to be access to the quickest price or the deepest pool of liquidity in a given product. With this definition varying from client to client, banks must ensure they offer a range of services that meet these demands.

In 2007 Deutsche Bank observed a dramatic growth in the volumes of interest rate derivatives being traded online. This demand was driven both turbulent markets and the ever increasing sophistication of market participants and their appetite for more direct access to derivative based products. Deutsche Bank expects this appetite to continue to grow and for clients to place further demands of their banks to provide a greater breadth of product online.

Deutsche Bank has responded by increasing the sophistication of its offering with products such as FX options and algorithms now being

a part of the autobahn® proposition. Delivering these types of services to our clients online allowed Deutsche Bank to increase market share** and enhanced our ability to service our most demanding client during the unfolding crisis of 2007.

To conclude, Deutsche Bank has developed, in autobahn®, an e-commerce solution that we believe sets the standard for what a client-led electronic trading platform should look like. The service has been developed based on in depth feedback and consultation with clients. We continually assess the suitability and applicability of adding new products and functionality, both on a pre-trade, trade and post-trade basis.

However, with the range of options available to clients across voice and non-voice services and the differing requirements of the

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market participants ignoring any particular electronic distribution channel cannot claim to be truly client led.

Thus the importance of delivering liquidity and markets to clients in a way that satisfies their risk management and investment requirements has become paramount and will ensure that multi product single-dealer sites such as autobahn® will co exist along side the existing and new multi bank platforms that emerge.

* Interest rate derivatives house, IFR, 2007
** DB FX Market Share increased from 19.3% in 2007 to 22% in 2008

The opinions or recommendations expressed in this article are those of the author and are not representative of Deutsche Bank AG as a whole.

