

The following is an account of an industry roundtable hosted by Omgeo in November 2004, which examined STP for Fixed Income Markets. Participants included industry leaders David Mullen of Bloomberg, Steve Mischia of BNP Paribas Securities, Joseph Sack of the Bond Market Association, Jonathan Ambos of Citigroup, Lee Cutrone of Omgeo, and John Burchenal of Thomson TradeWeb. For inquiries related to this document, please contact Kelly O'Brien at Intermarket, kelly@intermarket.com.

Express Track to STP for Fixed Income Markets Hinges on Partnership

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“We want to get there fastest, and we’re on the express track. Now we just need more people to get aboard the train.”

The train Steve Misischia, Director of Fixed Income Trade Support and Client Services at BNP Paribas Securities in New York, is referring to is the new integrated link between the Omgeo OASYSSM trade allocation service and Bloomberg’s Trade Order Management System (TOMS), which was launched in November 2004. The new capability answers industry calls for a single system for allowing buy-side traders to deliver block trade allocations electronically to sell-side brokers, like BNP Paribas--- a major step toward true straight-through-processing (STP).

Steve Misischia, Director, Fixed Income Trade Processing, Back Office and Client Services, BNP Paribas observes:
“It’s a big efficiency to do this rather than [having] people taking faxes and all the other media to book trades. Once this trade is confirmed and matched, the chances of a failed transaction – and the associated costs – are just about eliminated.”

Misischia was speaking at a Fixed Income Roundtable discussion in New York hosted in November by Omgeo. Other panelists included Jon Ambos of Citigroup Asset Management, Joe Sack of the Bond Market Association, David Mullen of Bloomberg, John Burchenal of TradeWeb and Lee Cutrone from Omgeo.

The roundtable covered a broad variety of topics surrounding electronic trading of fixed income securities, including STP, FIX for fixed income and Omgeo parent

Thomson Financial’s acquisition of TradeWeb. In the spotlight, however, was the new link between Omgeo and Bloomberg, with industry participants expressing their enthusiasm for the operational efficiencies it promises to yield.

BNP First to Benefit from OASYS/TOMS Link

For BNP Paribas – first to implement the new pre-integrated joint offering – the net result will be the ability to handle higher volumes, new products and additional clients without the need for increased head count within its operations department. Now Misischia wants other broker/dealers to adopt the interface, boosting the appeal to buy-side institutions and thus increasing efficiency all around.

Said Misischia, “Here’s how it works: Once the execution is done, the investment manager sends the large block trade right through from Bloomberg’s Portfolio Order Management System (POMS) directly to Omgeo OASYS. We see it on our Bloomberg screen, and we can actually pair that trade with our internal

Jonathan Ambos, Director of Trading Operations at Citigroup Asset Management concurs:

“The BNP move onto the link with Bloomberg is so significant for us because it opens up a whole host of opportunities. It’s almost like instant community for the investment manager, because when they feed allocations in, they can go to pretty much any location within BNP from that point.”

trade that’s booked into the Bloomberg Trade Order Management System (TOMS). At the top of the screen is the Omgeo piece and at the bottom are our trades, our sales tickets.”

This allows Mischia's staff to take a hands-free approach. "It's almost as if the client is putting their trades into my system," he said. "I don't think you could get much more 'straight-through' than that. After that, there's still another process in which our back-office system picks up the trades within seconds, and then sends them to The Depository Trust & Clearing Corporation for confirmation. So, the whole process happens without a hand touching it, except for us confirming the trade."

The benefits to sell-side brokers like BNP Paribas are clear. "I was able to reallocate resources," said Mischia. "It's a big efficiency to do this rather than [having] people taking faxes and all the other media to book trades. Once this trade is confirmed and matched, the chances of a failed transaction – and the associated costs – are just about eliminated."

The Asset Manager On Board

Also enthusiastic about the initiative was Jonathan Ambos, Director of Trading Operations at Citigroup Asset Management and co-chair of Omgeo's Fixed Income Working Party – one of a series of committees through which Omgeo cooperates with clients and other industry participants.

"For me, it's a huge benefit," said Ambos. "As more and more brokers come on [to the system], they don't have to build the solution themselves. If you're an investment manager and you're already using the Bloomberg system for investment management, it's basically a data exercise to add the brokers and the connection to them. There's no additional cost. There are no additional resources that are needed internally."

It's this concept of connection and of community that Omgeo believes will draw more brokers and investment managers onto the system. Lee Cutrone, Managing Director of Industry Relations at Omgeo, characterized the Bloomberg TOMS interface as one of a series of initiatives aimed at building community within the fixed income area.

"The BNP move onto the link with Bloomberg is so significant for us because it opens up a whole host of opportunities," he said. "It's

almost like instant community for the investment manager, because when they feed allocations in, they can go to pretty much any location within BNP from that point."

This offers up broad flexibility. "You have to have a direct connection – a host-to-host connection – so that a corporate, or municipal, or treasury bond can get routed to the right location within the firm," said Cutrone. "So, for us, it's not only about getting brokers on the system, but also about getting brokers to take that next step – to automate at the host-to-host level."

Bloomberg, for its part, is excited to leverage the year-old integration between Omgeo and POMS. The new link with TOMS moves the relationship forward. Said David Mullen, Senior Business Manager within Bloomberg's Fixed Income Trading group, "For TOMS dealers, it's a no-brainer using Omgeo as the transport mechanism for trade messages and the allocations."

John Burchenal, Director of STP Services at Thomson TradeWeb believes:

"It's encouraging to have both Omgeo and TradeWeb working together to simplify fixed income processing. Any broker, whether it's BNP Paribas or Goldman Sachs or Morgan Stanley, will be able to see the details of my trade— regardless of which platform they use."

Omgeo/TradeWeb Partnership Evolves

Another initiative discussed by the panel was Thomson Financial's recent acquisition of TradeWeb, a leading multi-dealer bond trading platform. Thomson Financial, along with the Depository Trust & Clearing Corporation, is co-owner of Omgeo, and industry expectations for an efficient and effective integration of the two platforms are running high.

Roundtable panelist John Burchenal, Director of STP Services at Thomson TradeWeb, said integration of TradeWeb's capabilities with Omgeo's solutions has begun. Aside from providing electronic trading, TradeWeb offers

various tools to facilitate STP. These include its TradeXpress allocation system and its AccountNet standing settlement instructions database. “We’re now working together with Omgeo to make sure that every dealer can receive an electronic confirmation, whether the customer is using TradeWeb or OASYS,” said Burchenal. “It’s in its early stages, and it can only grow from here.”

Citigroup’s Ambos has been close to ongoing discussions on how to bring the two companies together. “It’s encouraging to have both Omgeo and TradeWeb working together to simplify fixed income processing. Any broker, whether it’s BNP Paribas or Goldman Sachs or Morgan Stanley, will be able to see the details of my trade— regardless of which platform they use.”

Joseph Sack, Executive Vice President at the Bond Market Association, asserts:
“Even though it still has more catching up to do, FIX is becoming more sophisticated. It is based on actual practices in the industry.”

Panelists agreed that these latest initiatives illustrate the determination among participants within the fixed income marketplace to move toward STP. They conceded that progress in the bond markets had lagged the equities market. That said, they indicated that substantial progress had been made, given the later start in fixed income markets.

The user community appears to be encouraged by the progress, but believes fixed income has some catching up to do. Citigroup’s Ambos suggested that true STP within the fixed income markets may be less than 18 months away. “On the equity side, I’m probably at 98% or 99%. On the fixed income side, I’m probably anywhere from 25% to 35% of my trades. This should grow significantly.”

Omgeo’s Cutrone said the company is now handling 100,000 fixed income allocations per month, up substantially from 18 months ago. Cutrone cited efforts by industry groups like the Bond Market Association and the Asset Managers Forum in promoting the kind of electronic community building necessary to

establish a credible means of achieving STP within the bond markets.

As well as initiatives like the Omgeo OASYS/Bloomberg TOMS link and the integration of Omgeo and TradeWeb, STP protagonists are encouraged by industry moves toward adoption of standards. “There are really three ways in which you can allocate in the fixed income world today,” said Cutrone, “The Omgeo allocation, the TradeXpress allocation via TradeWeb and the third is in an embryonic stage – FIX for fixed income.”

FIX for Fixed Income

Still very much in its infancy, FIX for Fixed Income is a derivative of the Financial Information Exchange (FIX) protocol, which was originally developed by Salomon Brothers and Fidelity Investments to provide a format for transmitting transaction details – primarily in equities – to each other, making it easier for their respective processing systems to handle them. Today, many financial institutions – large and small – use the protocol to aid in automating back-office processes.

FIX for Fixed Income, as a relatively new initiative, has yet to prove its worth to the marketplace. Joseph Sack, Executive Vice President at the Bond Market Association, believes that “even though it still has more catching up to do, FIX is becoming more sophisticated. It is based on actual practices in the industry.”

David Mullen, Senior Business Manager, Fixed Income Trading, of Bloomberg maintains:
“For TOMS dealers, it’s a no-brainer using Omgeo as the transport mechanism for trade messages and the allocations.”

The Bond Market Association sees an important role for itself in nurturing this and other standards. “We are working closely with industry members to make sure that commonly accepted practices in the business are embodied in FIX protocols,” said Sack. “That’s huge because it means that you’re going to get to a point where, if you’re FIX-

compliant, that means that you are compliant from a regulatory standpoint”.

Omgeo’s Cutrone, for one, is bullish on FIX for Fixed Income. “We’re FIX-enabled today,” he said. “We have the Omgeo Allocation Manager, which accepts FIX NOEs. We’re building FIX capability into our Omgeo Central Trade Manager platform as we speak.” That said, Cutrone acknowledged that “FIX has potential. It’s probably a future consideration for a lot of firms. It’s far from a reality in the post-trade space. I think the first place that it will manifest itself is probably in the front office, in terms of indications of interest and trading.”

Bloomberg’s Mullen cautioned that “there’s a lot of misconception about FIX. There’s the transport level and there’s the application level.” It’s the former that he believes holds most promise. “At the transport level ... FIX, as a series of messages, is the right way to go and is probably where we’ll all end up.”

With FIX, as well as with other aspects of the move toward STP in fixed income markets, education will play a key role in its success. The panelists suggested that the greatest obstacle to achieving STP was behavioral and that only by educating market participants about the benefits of STP could this be overcome.

Measuring the Benefits

Citigroup’s Ambos suggested that demonstrating the ability to control the firm’s trade-processing environment, reducing errors and mitigating risk represented an “easy sell” for promoting STP. “But you need to get buy-in, not just from the traders, but from the compliance and risk people as well within your firms,” he said.

“I think the education issue is important,” Ambos went on. He added that demonstrating operational efficiencies helps with the buy-in process. “We’ve shown that internally the volumes and number of clients that we’ve been able to handle increased significantly over the last year,” he said, “with no increase in staff. And with some of these new accounts, the volume of transactions is quite large.”

For TradeWeb’s Burchenal, another major obstacle is fear of making a decision. “People don’t know which way to turn,” he said, and rather than make a wrong decision, they do nothing.”

Burchenal urged industry participants to make a move on their STP initiatives. “I try to convince them to do something, make a decision. Don’t just sit on your hands and let it pass by, because things are going to change. There will be new vendors, new technologies. Every week, something else new will happen, and you’ll just keep missing it. Do what makes sense for your firm now, make that choice and then live with it. You’ll reap the benefits, and then another year down the line you can make a change. But just do something.”

One aid in getting the job done may be the ability to illustrate some kind of return on investment from STP initiatives. The Bond Market Association’s Sack said the days of holding up a consolidated, industry-wide dollar

Lee Cutrone, Managing Director, Industry Relations, at Omgeo notes:

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return on STP were over. “If you go back a few years, the industry was seeking one major solution. In analyzing that, there was always the question of what would be the total savings for the industry? Where we are today is that most firms – buy-side and sell-side – have come to believe that the solution or solutions with regard to straight-through-processing are an individual firm matter.”

Ambos concurred. “I can tell you about a broker who has been able to reallocate five employees to other positions. Nobody has lost their job over it, but he has been able to move them to other functions within operations, and been able to handle more volume.”

“At Citigroup, I’ve had at least a person-and-a-half that I’ve been able to allocate elsewhere, to work on errors or exceptions; whereas we’ve started to add more new products that are more manually intensive because they’re newer to the market, and more volume because we’ve picked up accounts since we’ve gone to this solution – all without any increase in head count.”

“When we went to a SWIFT implementation for STP of trade delivery information for our custodians,” he added, “I was able to reallocate six employees that used to sit at the fax machines every single day and fax out trades. That’s all they did. The benefit may not be in terms of pure savings of people or functions. It’s the quality of life, too. We used to go till 9:00 or 10:00 o’clock at night. Now, everybody’s done a lot earlier. We’ve been able to start out batch processes sooner, which means in the morning our trading system is up earlier.”

Omgeo’s Cutrone, meanwhile, cited some research the company had commissioned on potential savings from STP. Omgeo’s research suggests that manual trade processing for a U.S. domestic transaction costs four times as much as an automated trade. He also said that research found that trades that weren’t affirmed before they’re settled were 37 times more likely to result in a trade reclaim. “Not every trade reclaim is a fail,” he said. “But every reclaim is a touch [that requires] going out and trying to repair that trade.”

“I don’t have a dollar figure to put on it,” said BNP’s Misischia. “But certainly with failed transactions, especially with us being the seller, the money could add up pretty quickly, particularly in the bond market where we have to do large sizes in order to make a decent amount of money on a transaction.”

The case for continued effort in automating bond transactions appears to be a strong one.

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Appendix A: Participating Panelists

DAVID P. MULLEN
SENIOR BUSINESS MANAGER, FIXED INCOME TRADING,
BLOOMBERG

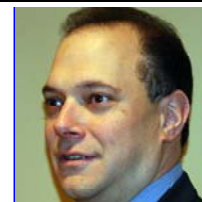
STEVEN MISISCHIA
DIRECTOR, FIXED INCOME TRADE PROCESSING, BACK OFFICE
AND CLIENT SERVICES, BNP PARIBAS



JOSEPH W. SACK
EXECUTIVE VICE PRESIDENT, THE BOND MARKET ASSOCIATION



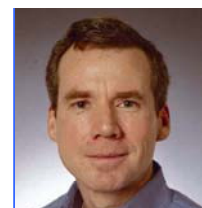
JONATHAN J. AMBOS
DIRECTOR, CITIGROUP ASSET MANAGEMENT



LEE CUTRONE
MANAGING DIRECTOR, INDUSTRY RELATIONS, OMGEO



JOHN BURCHENAL
DIRECTOR OF STRAIGHT-THROUGH PROCESSING SERVICES,
TRADEWEB



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DAVID P. MULLEN

SENIOR BUSINESS MANAGER FIXED INCOME TRADING,
BLOOMBERG

David Mullen is senior business manager responsible for directing Bloomberg's Fixed Income Electronic Trading product development. In this roll, he is involved with strategic business decisions, as well as new product design and day-to-day operations of existing electronic trading applications. Currently, Bloomberg's fixed income electronic trading suite of applications includes Bloomberg BondTrader (BBT) for global sovereign securities, BOOM for secondary commercialpaper and discount note trading, DOCP for primary CP trading and AXES and ALLQ for global corporate bonds.

Before joining Bloomberg seven years ago, Mr. Mullen was a corporate bond salesman and later an MBS trader with several Wall Street firms including: Prudential Securities, DLJ and Deutsche Bank.



STEVEN MISISCHIA

DIRECTOR, FIXED INCOME TRADE PROCESSING, BACK OFFICE
AND CLIENT SERVICES, BNP PARIBAS

Mr. Misischia has been the Director of Fixed Income Trade Processing, Back Office and Client Services BNP Paribas Securities Corp for 7 years, and has more than 20 years of experience in the operations industry. In his current position with BNP Paribas, Mr. Misischia is in charge of all day to day operations for Securities Processing, Settlement and Infrastructure support for U.S. Treasuries, Agencies, Mortgage Backs, Asset Backs, Corporate and Emerging Market Bonds for both Cash Trading and Financing activity. Prior to joining BNP Paribas, Mr. Misischia served as the Director of Operations at Yamaichi International America Inc. for a tenor of 12 years, where he was responsible for all of Operations for both Domestic and International Fixed Income and Equities. Prior to Yamaichi, Mr. Misischia was the Branch Manager for Security Pacific Clearing Corp. and was responsible for overseeing the Operations for 9 regional branches in the United States. Mr. Misischia is a licensed Financial and Operations Principal, a member of the Bond Market Operations Committee and serves as Chairman of the ICI/ADP Steering Committee.



JOSEPH W. SACK

EXECUTIVE VICE PRESIDENT, THE BOND MARKET ASSOCIATION

Joseph Sack, Executive Vice President of The Bond Market Association ("TBMA"), oversees technology and e-commerce, asset manager relations and bond industry operations initiatives on behalf of TBMA and its member firms. Mr. Sack is directly responsible at TBMA for providing

leadership and substantive expertise to the Technology Committee, The Asset Managers Forum, the STP Steering Committee and the Business Continuity Management Council.

Since 1991, Mr. Sack's principal role at TBMA has entailed mobilizing the sellside, the buy-side, utilities, regulators and vendors in pursuit of common objectives. This work is advocacy in nature and is done in tandem with TBMA's Washington, D.C. office and typically involves a dialogue with decision-makers at regulatory agencies. Mr. Sack also serves as Executive Director of the TBMA-affiliated AMF Senior Executives Group which is comprised of top management officials at asset management firms.

In addition to his present position as EVP at TBMA and his prior investment banking experience as COO at Leberthal & Co., Mr. Sack has served as Arbitration Counsel at the New York Stock Exchange. Mr. Sack is admitted to the practice of law in the Commonwealth of Massachusetts and the State of New Jersey. He earned a B.A. degree from the College of the Holy Cross and a Juris Doctor degree from Suffolk University Law School.



JONATHAN J. AMBOS
DIRECTOR, CITIGROUP ASSET MANAGEMENT

Mr. Ambos has over twelve years' experience on the operations side in the financial services industry with both buy and sell side firms. He has been a proponent of operational efficiency, risk avoidance through internal controls, and STP (straight through processing) throughout his career. In addition to his current responsibilities within Citigroup Asset Management for managing the trade support, trade communications, and static data groups, Mr. Ambos's role has recently been expanded to include management and oversight of the equity middle office. Prior to joining Citigroup, Mr. Ambos was Senior Vice President, Administration, Finance and Operations at WealthPlace and Chief Compliance Officer for WealthPlace Securities LLC. Mr. Ambos joined WealthPlace from CSFB/DLJ's Prime Brokerage Unit, where he was Vice President of Operations and Portfolio Reporting servicing hedge funds, investment advisors, and family offices. Mr. Ambos has an extensive background in alternative investments including positions as Operations Partner for Sound Partners L.P. where he co-founded the general partner and its affiliates, CFO for Seneca Capital L.P., and Manager of Operations for Hamilton Partners, L.P. Additionally, Mr. Ambos also was an AVP of Operations for Chase Securities and an Auditor with KPMG PeatMarwick. Mr. Ambos holds a B.B.A in Finance from The Wharton School at the University of Pennsylvania and an M.B.A in Finance from The Stern School of Business at New York University. Mr. Ambos has been a member of many industry groups and committees during his career and is currently a co-chair of Omgeo's Fixed Income and STP Working Group, a member of the Trade Web Advisory Board, and a member of the Asset Managers Forum. He currently holds NASD licenses 7, 9, 10, 24, 27 and 63.



LEE CUTRONE
MANAGING DIRECTOR, INDUSTRY RELATIONS, OMGEO

In his current role, Mr. Cutrone acts as liaison between Omgeo and its constituents and “stakeholders,” including clients, global advisory boards and working parties, regulators, vendors, depositories and industry groups, ensuring that clients and other industry participants have a direct point of contact for interacting with Omgeo on a strategic business level. Mr. Cutrone is also involved in establishing the strategic direction of Omgeo’s services, and for structuring key business relationships to deliver appropriate industry-driven solutions. Mr. Cutrone is currently serving as an advisor to the SIA’s STP Steering Committee and Cross-Border Committee and previously served on the Institutional Transaction Processing Committee (ITPC), as well as the T+1 Business Case RFP sub-committee.

Prior to his employment at Thomson Financial ESG, Mr. Cutrone was senior vice president of the Securities Division at the American Stock Exchange (AMEX), having held several executive positions there since 1975. Mr. Cutrone has also held positions at Stone & Webster Securities Corporation from 1973 to 1974, and Merrill Lynch, Pierce, Fenner & Smith, Inc. from 1971 to 1973. He holds a B.A. in Economics from St. Francis College, Brooklyn, NY, and a MBA in Finance from Pace University, New York, NY.



JOHN BURCHENAL
DIRECTOR OF STRAIGHT-THROUGH PROCESSING SERVICES,
TRADEWEB

John Burchenal is the Director of Straight-through Processing Services at Thomson TradeWeb. Mr. Burchenal's responsibilities include TradeXpress, TradeWeb's post-trade processing and management software and AccountNet, TradeWeb's web-based standing settlement instructions database and network. He also manages TradeWeb's connectivity partnerships with 3rd party vendors of financial software. Mr. Burchenal has over 15 years experience in the securities industry. Prior to joining TradeWeb in 2001, Mr. Burchenal was employed by Lehman Brothers where he managed the Institutional Investment Services Department. Mr. Burchenal holds a BA in Economics from Trinity College in Hartford CT.