

*tp***REPO**

European Repo
Customer Information Booklet

Document Version 1.0

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Introduction to *tpREPO*

tpREPO is the brand name for **Tullett Prebon Electronic Broking** trading platform for the European inter-bank Repurchase Agreement Market, targeted to be deployed to primary dealing banks across London and Continental Europe. *tpREPO* is an adaptation of Tullett Prebon's successful system operating in the United States. The European system will initially support EU Government Bond Repo for UK (gilts), Germany, and France; shortly thereafter it will be rolled out to host Repos on other European market debt such as Netherlands, Belgium, and Portugal.

The *tpREPO* platform lets traders at participating banks enter buy and sell orders into the listed Repo instruments using either the Tullett Prebon User Interface software or any third party software the bank wishes to use. The *tpREPO* API is available to all clients, enabling them to write proprietary software interfaces. Using Tullett Prebon's Straight Through Processing (STP) service, banks can take advantage of electronic and voice deal flow directly into their risk management systems, thereby reducing operation cost and risk.

tpREPO instruments are available to settle using a Central Counter Party Clearing House (CCP) or on a Bilateral basis. Traders indicate the settlement method by selecting the relevant instrument before they enter an order. The CCP instruments ensure that clients remain anonymous throughout the life cycle of the Repo trade. *tpREPO* uses LCH Repoclear and LCH Clearent as their CCP providers.

Trading hours are between 6:45am and 5:15pm London Time. All clients will have dedicated support from Tullett Prebon's experienced electronic broking sales and back office team during those hours.

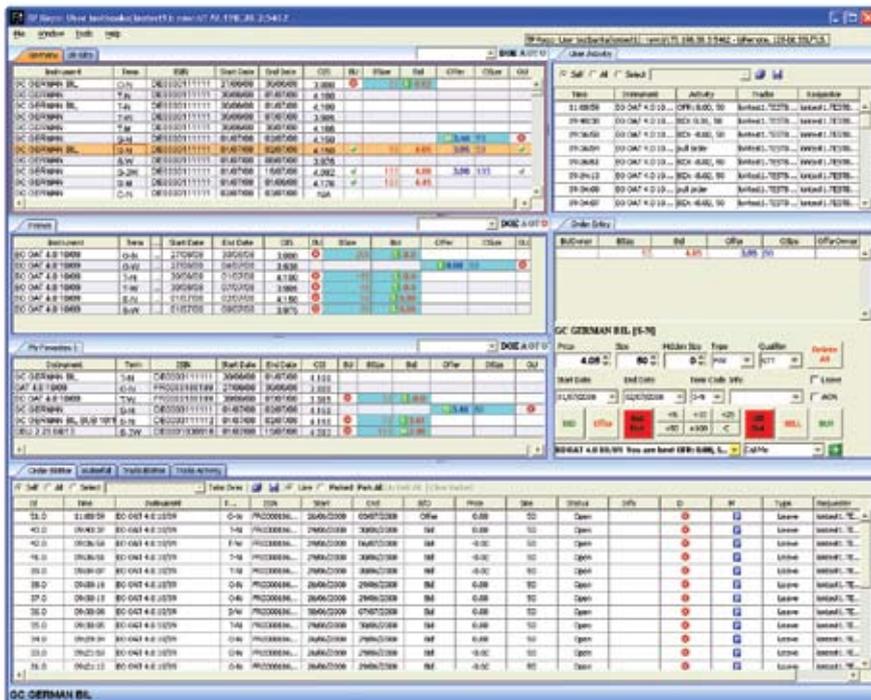
Leveraging off the strength of our voice broking desks, which are ranked as number one in the EU Repo term business, we are confident the screen will get strong liquidity and take a solid foothold in the short-dated, less than one month Repo market. This market currently accounts for a large percentage of the overall nominal volume in Europe and is almost exclusively transacted electronically. We are certain our Repo platform will compliment our existing business and provide our clients with a much needed competitor in the electronic Repo space.

Please take a moment to browse through this Information Booklet. And feel free to contact us if you have any questions or require further information. (see *Tullett Prebon Electronic Broking Client Support* on page 18).

Tullett Prebon *tpREPO* User Interface

The *tpREPO* interface has trading features that enable quick and easy order entry and modification. Moreover, it undergoes a quarterly enhancement cycle to ensure functionality matches client expectations at all times.

Here is an example of the *tpREPO* trading user interface.



Key *tpREPO* Features

- Presents a secure, stable, and robust platform.
- Allows live real-time order entry and trade execution.
- Permits primary-dealer-only access to the wholesale prices.
- Supports fully automated straight through processing (STP).
- Permits CCP and Bilateral trading in all products.
- Electronic trades are completely anonymous when viewed by Tullett brokers and the market in CCP transactions. The brokers will have a view only platform, so they will be able to see the prices and trades on the screen but not who is behind them.
- Has fully automated GC allocation process.
- Includes customisable window packed with useful features, including the following:
 - Direct screen Order Entry (*ability to enter orders like an excel spreadsheet*)
 - Dockable or floating panels for space management
 - OIS price feed column
 - All My Orders page
 - Remove All Orders button
 - Batch order management
 - Market depth viewing and trading
 - Scrolling ticker
 - Ability to filter and search for specific terms
 - Ability to create favourites page
 - Converts to bilateral at CCP cut off
 - Warning messages, popups, and alert options
 - Easy to operate downloads into Excel

Qualifications and Requirements to Trade *tpREPO* in Europe

Qualifications for Organisations

- Organisations must be an interdealer market participant.
- Organisations must have direct membership to the CCP or have engaged a CCP member to clear trading on the relevant market.

Documentation Requirements

- **Electronic Trading Agreement:** Tullett Prebon's terms of electronically transacted business that all parties must sign before trading.
- **Addendum:** For those clients who have already signed an Electronic Trading Agreement with Tullett Prebon in another financial instrument market, we will send out a one page document to inform clients that they are authorised to trade *tpREPO* under the same terms and conditions. Does not need to be signed.
- **System Protocols Agreement:** A description of platform-specific protocols distributed to all new traders. Applies equally to all users. Does not need to be signed.
- **Error Trade Policies:** Market-specific policies distributed to new traders explaining how Tullett Prebon intends to resolve trading errors. Applies equally to all users. Does not need to be signed.

Connectivity and Technology Requirements

Tullett Prebon's IT department can discuss setting up *tpREPO* with your IT department. We already have a successfully running electronic platform in Europe for FX Options with various connectivity and installment options to suit every bank.

- Organisations determine their route of connectivity:
 - Hardware VPN
 - SSL VPN
 - Dedicated line
- Organisations indicate if they have front-end system access or trading API.
- Desk Heads:
 - Provide a list of users who can trade.
 - Request user names and passwords to allow users to log onto *tpREPO* in their permissioned markets.
- API and front-end GUI documentation available upon request.
- Straight through processing (STP) supplied by Tullett Prebon:
 - STP is a case of business prioritisation and is not an absolute requirement from a business perspective. We do, however, encourage our traders to use this facility.
 - The actual work involved for Tullett Prebon and the client is not too resource demanding.
 - We are experienced in working with third party providers such as ION, although there may be additional costs to the client for the third party charges such as gateway installations.

CCP and Bilateral Trading

This section provides diagrams of Central Counter Party Clearing House and Bilateral trading. **Figure 1** is an overview of CCP trading on *tpREPO*. **Figure 2** is an overview of Bilateral Trading on *tpREPO*.

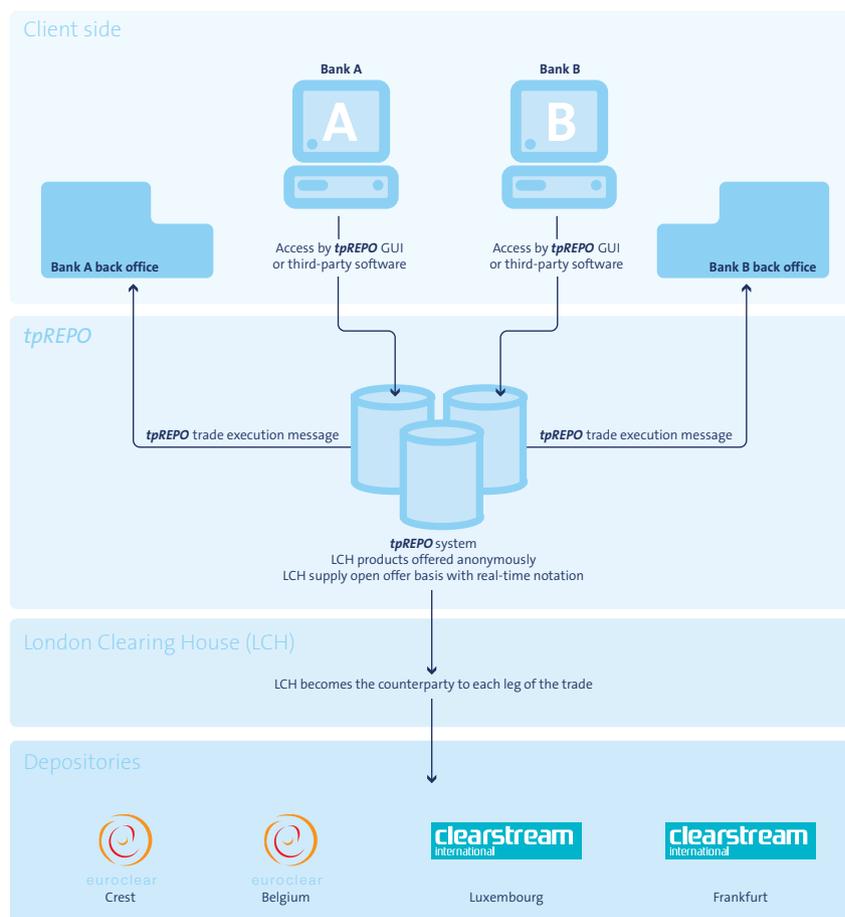


Figure 1. Central Counterparty Trading on *tpREPO*

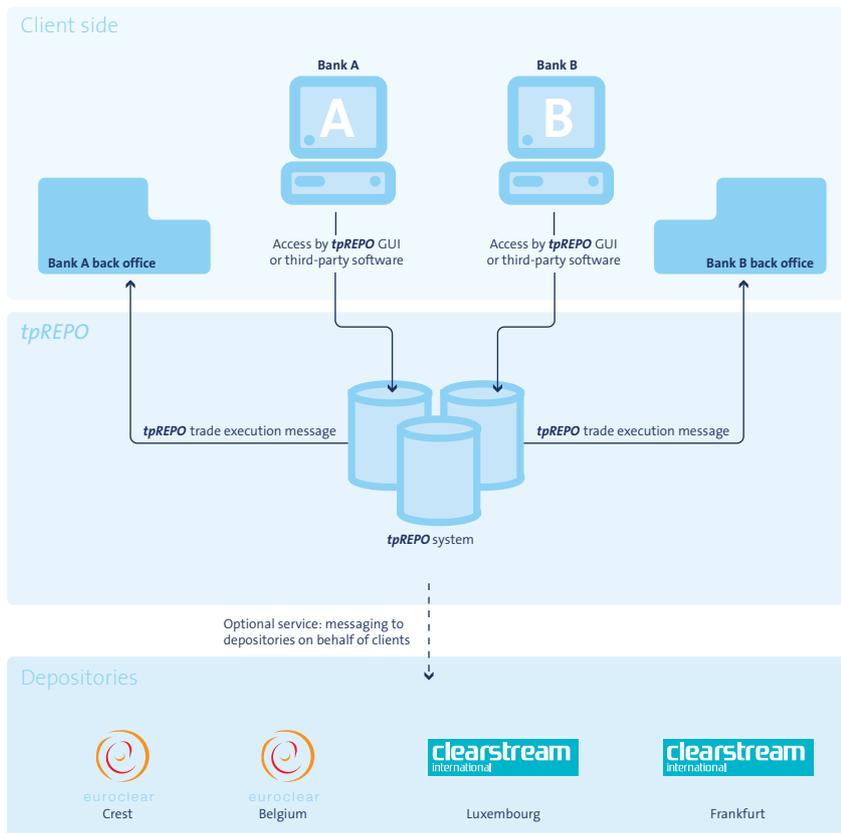


Figure 2. Bilateral Trading on tpREPO

European Repo Market Rules

This section describes the rules for trading European Repo instruments on *tpREPO*. Be sure to contact us if you have any questions or require further information. (see *Tullett Prebon Electronic Broking Client Support on page 18*).

The Market

Market Open	6:45am London time.
Market Close	5:15pm London time. All orders are removed at the close of business.
Launch Markets	Phase I target markets are Germany, France, UK Gilts
Instruments	European Repo trading is available on Deliver by Value (DBV), General Collateral (GC), Treasury bills, fixed rate bonds, and index-linked bonds.
European Repo Term Dates	Standard European Repo term dates are listed on the system each day. In addition, traders can create tailor-made term dates for any trading day.
Central Counter Party Clearing House Model	Transactions in Centrally Cleared European Repo instruments are submitted to the CCP at the time of the trade, and the CCP immediately becomes the counterparty to each side of the trade. Only the <i>tpREPO</i> admin staff and the CCP know who the executing firms are.
Bilateral Clearing Model	Transactions in Bilateral European Repo instruments enter into a counterparty-name-accepting phase at the time of trade. During this phase, the names of the banks involved are disclosed to one another, and the banks are given a period of time to accept or reject the transaction based on credit grounds. Once there is an accepted trade, both counterparties become responsible for the settlement of their trade, as is current market practice.

Order Book

Orders	All prices entered into tpREPO are done so by the client and are the sole responsibility of that client. To facilitate management of the orders, it is possible to delete orders, park orders, and transfer order ownership between traders at the bank.
Order Size	Both the minimum and incremental size for European Repo transactions in a specific collateral is 1 million. Minimum and incremental sizes for General Collateral European Repo orders is 1 million.
AON Order Size	The minimum size for All or None orders is 25 mm. The incremental size is 1 mm. AON orders can only be traded in the full size.
Order Position in Stack	Orders in the stack are listed by price then time. It is possible to modify the stipulation of any order without affecting its position in the stack.
Depth of Stacks	You can view up to 10 orders in a stack.
Cut off times	The CCP markets have specific cut off times for trading, depending on the term and country of issue. See <i>Trading Deadlines</i> .
Locked Markets	tpREPO allows locked markets.
Crossed Markets	tpREPO only allows crossed markets for AON orders that do not match size.

European Repo Market Rules cont

Order Entry

Price	You can enter prices in fixed interest rate or floating EONIA rate (Euro overnight exchange rate) format.
Shown Size	Order size is seen by all traders.
Hidden Size	Size available to create a new order as soon as shown size is filled. It is in parentheses (); you can only see your own hidden size.
Managed Order	An order for which quick amendments and easy order management are allowed. Only one managed order is allowed per side of the market per security.
Leave Order	An order that can only be modified by a user's direct action (as opposed to active orders, which can be modified by events in the market). A trader can enter multiple Leave Orders in a European Repo instrument at the same or different price points.
AON or Minimum Ticket Size	You can enter orders as All or None (AON) or with minimum ticket sizes. These orders are created in a separate order book (not in the regular market order book) that permits crossing of prices and trading at worse than best price for a given size.
GTT	Good until topped.
GT2	Good until topped for X time.
GTC	Good until cancelled.
FAS	Fill and Store. Following an execution any unfilled size will be entered as a passive order into the stack.
FAK	Fill and Kill. Following an execution any unfilled size will be deleted.
FOK	Fill or Kill. If an execution is not completed for the full size, the order is deleted without the other market participants knowing an execution was attempted.

Miscellaneous

Batch Order Entry	You can enter multiple orders in batches for easy order management.
GC Allocation	You can pledge collateral against a counterparty in a General Collateral trade.
STP	Electronic trade ticket distribution via the <i>tpREPO</i> Post:marker application.
Trading API	All features are offered via the BladeEdge trading API.

Trading Deadlines

All trading deadlines can be configured by *tpREPO*.

General Collateral Market	Overnight Start Date: Trading Deadline	Overnight Start Date: Allocation Deadline	TOM Start Date: Trading Deadline	TOM Start Date: Allocation Deadline	Spot/Other Start Date: Trading Deadline	Spot/Other Start Date: Allocation Deadline
Germany/ Netherlands						
LCH, Clearnet	N/A	N/A	13:00	13:30	16:45	17:15
Bilateral	10:45	11:15	16:45	17:15	16:45	17:15
€ GC						
LCH, Clearnet	N/A	N/A	14:30	N/A	17:15	N/A
UK Gilts						
LCH, Clearnet	10:00	10:30	16:45	17:15	16:45	17:15
Bilateral	13:30	14:00	16:45	17:15	16:45	17:15
Sterling GC	14:30	N/A	17:15	N/A	17:15	N/A
DBV Bilateral	15:50	N/A	17:15	N/A	17:15	N/A
France						
LCH, Clearnet	11:30	12:00	16:45	17:15	16:30	17:15
Bilateral	N/A	N/A	N/A	N/A	N/A	N/A
Belgium						
LCH, Clearnet	N/A	N/A	13:00	13:30	16:45	17:15
Bilateral	11:30	12:00	16:45	17:15	16:45	17:15

Table 1. Cut off Times for General Collateral Market

Specials Market	Overnight Start Date	TOM Start Date	Other Start Date
Germany/Netherlands			
LCH, Clearnet	N/A	13:00	17:15
Bilateral	11:15	17:15	17:15
UK Gilts			
LCH, Clearnet	10:30	17:15	17:15
Bilateral	14:00	17:15	17:15
France			
LCH, Clearnet	12:00	17:00	17:00
Bilateral	N/A	N/A	N/A
Belgium			
LCH, Clearnet	N/A	13:00	17:15
Bilateral	12:00	17:15	17:15

Table 2. Special Cut off Times for CCP and Bilateral

FAQs

FAQ: When are you planning to launch *tpREPO*?

ANS: We are planning a staggered soft launch beginning Q3/Q4 2008.

FAQ: What markets will you offer?

ANS: Initially we will be launching German and French Government Repo and UK Gilt Repo. We will follow these markets quite rapidly with other key EU Government Repo products.

FAQ: Why should I get this screen if I already have an electronic screen?

ANS: The conception of our screen started in the United States, when the client base was concerned with the monopolistic nature of the short-term electronic Repo market and the expansion of access to the screen outside of primary dealers. Clients asked Tullett Prebon to build a screen leveraging off our strong voice support in the UST Repo Market. We did this in 2007 and currently manage 30 – 40% of the short-term electronic Repo market.

A similar situation exists in Europe. One broker manages more than 90% of the short-term electronic Government Bond Repo market, and we have been asked by many of our clients for a credible and liquid alternative. We will be leveraging off the strong relationships our voice brokers have with their clients, and we therefore intend to generate strong liquidity in German, French, and UK Gilt Repo.

FAQ: How do I get access to the *tpREPO* screen?

ANS: We are actively contacting potential clients and offering them access to the electronic platform. If you would like access to this platform, please contact:
support@tprepo.com (+44 20 7200 7500).

FAQ: Are you restricting access to the *tpREPO* screen?

ANS: Yes. We are following our US initiative, which only allows primary dealer access.

FAQ: Is the *tpREPO* screen anonymous?

ANS: Absolutely. The screen is completely anonymous to the market for all CCP trades, as well as to the brokers who are on a completely different floor to the electronic team. The brokers will have a view only platform, so they will be able to see the prices and trades on the screen but not who is behind them.

FAQ: Will I have to pay for the *tpREPO* screen?

ANS: There is no direct cost, other than a competitive brokerage rate on trading activity. There will be negligible costs for internal IT requirements and gateway set ups. For more information, please contact a Tullett IT specialist at **+44 20 7200 7300**.

FAQ: Who will be managing the *tpREPO* screen?

ANS: The screen will be run and managed by a dedicated electronic team who will be available during all screen hours (currently from 6:45am to 5:15pm). To reach a support person, you can call **+44 20 7200 7500** or click the Contact Me button on the live screen.

FAQ: Do you have a GC allocator?

ANS: Yes we do.

FAQ: Do you support DBV?

ANS: Yes.

FAQ: What is your relationship with London Clearing House?

ANS: We have a solid working relationship with LCH.

FAQ: Are you regulated?

tpREPO is a multi-lateral trading platform which is under the control of an FSA authorised and regulated Tullett Prebon company. Under MiFID requirements it has been assigned a 'Market Indicator Code' (MIC) for all regulatory transaction reporting purposes.

FAQ: Do you offer STP?

ANS: Yes, we can deliver STP via a bespoke API or ION solution. We have an experienced in-house STP team who manage this. For more information please request our technical documents.

FAQ: What settlement options do you offer on your system?

ANS: The system supports both bilateral and central counterparty settlement (CCP) options.

FAQ: What CCPs do you support?

ANS: We are recognised as an ECM by both LCH Repoclear & LCH Clearnet. For trades in products with a CCP settlement type, we immediately instruct these institutions of the execution. The CCP then takes up each leg of the Repo trade and notifies the counterpart via their usual reporting mechanism.

FAQ: How will a trader choose the settlement type for a Repo?

ANS: The system offer two distinct order books for each settlement type for each security. These types are displayed as two separate line items in the User Interface, one labelled BIL and the other LCH. At point of order entry, the trader selects to submit into one of these lines items and therefore will know which settlement type to expect should an execution take place.

FAQ: When trading a bilateral instrument, how do you handle counterparties I cannot trade with?

ANS: When you trade on the system you have two minutes to reject the trade based on credit grounds. Traders can reject a trade if a trade occurs with a counterpart they do not have a credit line with.

FAQ: When trading a bilateral instrument, do you offer an instruction service on the bank's behalf?

ANS: We will offer an optional instruction service in to the ICSDs and/or CSDs in a future release. The first service will be for German settlement, we will notify clients when this is available. We will deliver messages on behalf of clients, at which point the clients will assume ownership and control of the process flow.

FAQ: Who do I contact if I have questions?

ANS: If you have any other questions please contact us at **+44 20 7200 7300**. See *Tullett Prebon Electronic Broking Client Support* on page 18.

Tullett Prebon Electronic Broking Client Support

Please email your questions and comments to support@tpelectronicbroking.com or contact us at any of the phone numbers listed.

Location and Contacts	Phone Number
Europe	
<i>tpREPO</i> Sales and Marketing	+44 20 7200 7500
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Europe Client Services	+44 20 7200 7868
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