

Pillar 3 Disclosures for Tradeweb Europe Limited
14 April 2010

1. Introduction

The Capital Requirements Directive ('the Directive') of the European Union establishes a revised regulatory capital framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment companies.

In the United Kingdom, the Directive has been implemented and the Financial Services Authority ('FSA') provides for the rules relating to capital adequacy in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Companies ('BIPRU').

The FSA framework consists of three "Pillars":

Pillar 1 sets out the minimum capital requirements to cover the Company's credit, market and operational risk;

Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks; and

Pillar 3 requires disclosure of specified information about the Company's risks, capital and risk management procedures.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document provides Tradeweb Europe Limited's Pillar 3 disclosures.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

2. Scope of the FSA requirements

Tradeweb Europe Limited ("TWE"/"the Company") is authorised and regulated by the Financial Services Authority and as such is subject to minimum regulatory requirements. The Company is an investment firm with permission to operate a Multilateral Trading Facility ("MTF") and as such is a BIPRU 730k limited license firm for regulatory capital purposes. TWE has no trading book exposure.

The Company allows Professional and Eligible Counterparty clients in Europe and Professional and Institutional Investors in Asia to trade fixed income securities and derivatives. The Company has branches in Japan, Hong Kong and Singapore.

The Company is not part of a consolidation group for prudential purposes. The Company's immediate parent company is TWEL Holdings LLC, a company incorporated in the USA. Within the meaning of the Companies Act 2006 Thomson Investments Limited ("TIL") is regarded by the directors of the Company as being the Company's ultimate parent company and controlling party as well as the largest group to consolidate the financial statements of the Company. TIL is incorporated under the laws of the Province of Ontario, Canada.

Copies of the Thomson Reuters annual report are available from: The Thomson Reuters Building, South Colonnade, Canary Wharf, London E14 5EP

3. Risk management

The Company is governed by its directors and the designated members of the senior management team ('the Directors') who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Directors also determine how the risks the Company face may be mitigated and assesses the arrangements to manage those risks on an ongoing basis. The Directors meet both formally and informally on a regular basis and discuss current projections for profitability, business planning and risk management. The Directors manage the Company's business and identify risks through a framework of policy and procedures taking into account relevant laws, standards, principles and rules (including FSA principles and rules) with the aim of operating a defined and transparent risk management framework. These policies and procedures are updated as required.

The Company is willing to take reasonable commercial risks when operating its business. However the Company is risk averse when considering issues which might adversely affect its ability to maintain its regulatory capital and seeks to maintain a regulatory capital ratio in excess of 200% at all times.

The Directors have identified that business and operational risks, credit risk and market risk are the main areas of risk to which the Company is exposed.

The following risk categories identified by the FSA have been considered but are deemed to be not material to the company: liquidity risk, insurance risk, concentration risk, residual risk, securitisation risk, interest rate risk, pension obligation risk.

The Directors review the risks, controls and other risk mitigation arrangements as part of the Individual Capital Adequacy Assessment Process ("ICAAP"). Where the Directors identify material risks they consider the financial impact of these risks as part of the business

planning and capital management and conclude whether the amount of regulatory capital is adequate.

4. Business and Operational Risk

Operational risk is identified by the FSA as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. The main business and operational risks to which the Company is exposed are as follows:

Risk	Mitigation
Market downturn reducing transaction fees	Add asset classes; maintain a mix of fixed and variable fees
Business interruption e.g. terrorism, system failure	Disaster recovery plan with global redundancy; use reliable data carriers; firewalls and virus protection; insurance
Dealers do not provide liquidity (including loss of dealers through consolidation)	Widen institutional customer base; add new dealers; continue to improve service and add functionality
Trade errors	Policies and procedures in place; ongoing operational and related compliance monitoring; monitoring of large and unusual trades; check price information
Breach of FSA rules	All staff sign to confirm they have read and understood the Company's Compliance Manual FSA representative training for staff
Reputation risk	Limit staff access to client data; staff are obliged to maintain confidentiality

5. Credit Risk

Credit risk is the risk that a party will default on a financial agreement. The Company is exposed to credit risk as follows:

Risk	Mitigation
Default of UK and Japanese authorised banks in relation to cash deposits held with them	Periodic monitoring of the financial strength of the credit institution with whom the Company deposits cash
Failure to collect payments due from customers and group companies	Maintaining tight credit control: performing credit checks, monitoring payments against agreed arrangements

6. Market Risk

TWE's market risk exposure relates to fluctuation in exchange rates, specifically the Euro and US Dollar against Sterling. At 31 December 2009, Tradeweb was net long £2.1m (all Euro) and net short £4.4m (mostly JPY and SGD). The risk is mitigated by hedging and tight credit control of foreign currency receivables.

7. Regulatory capital

The Company's capital position as at 31 December 2009 following the audit of its accounts is summarised as follows:

	£'000
Share Capital	6,000
Capital Contribution Reserve	13,679
Profit and Loss Reserve	(1,922)
Tier 1 capital	17,757
Deductions from tier 1 and tier 2 capital	0
Total Capital Resources, net of deductions	17,757
Capital Requirement for 2010	4,860
Excess of Capital Resources over Capital Requirement	12,897
Capital Resources as a percentage of Capital Requirement	365%

The Company is a BIPRU 730k limited license firm and as such, its capital requirements are the greater of:

	£'000
(i) Base Capital Requirement of €730,000; or	649

(ii) Sum of its Market and Credit Risk Requirements; or	1,361
(iii) Fixed Overhead Requirement (FOR) for 2010	4,860

The Fixed Overhead Requirement, which is 25% of relevant annual expenditure, is the highest minimum capital requirement by a significant factor.

The Company follows the Standardised Approach to Market Risk for foreign exchange risk and the Simplified Standard Approach to Credit Risk. The Company is not a full scope BIPRU investment firm so it is not required to calculate an Operational Risk Capital Requirement under BIPRU 6.

8. Summary

TWE is willing to take reasonable commercial risks when operating its business. However the Company is risk averse when considering issues which might adversely affect its ability to maintain its regulatory capital.

Pillar 1 specifies a minimum Capital Resources Requirement of £4,860,000 for 2010. The Company targets a ratio of Capital Resources to Capital Resources Requirement of 200% and has operated above this level in 2008 and 2009.

Pillar 2 requires the risks to be identified and procedures put in place to manage those risks. The ICAAP identified no requirement for further capital above the minimum requirements of Pillar 1.

Pillar 3 requires certain disclosures, which are provided in this document.

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