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Tradeweb Launches Block Trading via Allocation in Chinese Bonds on Bond Connect

Chinese bonds become more accessible to international institutional investors

LONDON (September 5, 2018) - Tradeweb Markets, a leading global marketplace for electronic fixed income, derivatives and ETF trading, announced it is now able to facilitate allocation of block orders in Chinese yuan (CNY) bonds, allowing offshore investors to invest in the Chinese onshore bond market.

Tradeweb worked closely with CFETS and the Bond Connect Company to facilitate the allocation of block orders. The new functionality for institutional investors follows the recent announcement that the China Central Depository & Clearing Co. (CCDC) will support real-time delivery-versus-payment (RDVP), as well as the pending exemption on corporate income tax and value-added tax on foreign institutions' interest gains from onshore bond investment. The developments are together expected to allow offshore market participants to invest far more easily in the Chinese domestic bond market than previously.

"The launch of block trading via pre-allocation is a significant development for the Tradeweb Bond Connect initiative and another step towards our goal to connect China's financial market with the rest of the world," said Lee Olesky, CEO of Tradeweb Markets. "We are confident that facilitating block orders in CNY bonds will allow investors greater flexibility to join the scheme, significantly boosting foreign investment into the Chinese domestic bond market."

The block trading functionality enables offshore investors to trade on behalf of multiple funds in one block trade via the Tradeweb interface. Asset managers are now able to allocate block trades to multiple client accounts, further streamlining Bond Connect investors' electronic access to onshore liquidity. As in other international markets across Tradeweb, Bond Connect allocations are executed using the same request-for-quote (RFQ) protocol, allowing users to take advantage of both the pre- and post-trade OMS integration. Investors will therefore be able to complete large transactions without incurring adverse market impact and achieving best execution across multiple funds.

"The block trade allocation is one of three main factors for inclusion of China's bonds into global bond indexes. We are very pleased to work with Tradeweb to satisfy this condition. TW Bond Connect's allocation functionality allows clients to execute block trading while transparently identifying end accounts," said Cui Wei, General Manager of RMB Department, CFETS.

Market participation in Bond Connect is growing steadily. As of the end of August, the number of approved overseas institutional investors on Bond Connect rose to 247, an increase of over 46 percent from the start of the year. Average daily volume over the past three months was RMB 5.0 billion.



James O'Sullivan, Head of Securities Services, Hong Kong, at Standard Chartered said: "We welcome the announcement that block trading is now available on Bond Connect. As the investors are gearing up for global index inclusion of Chinese bonds next year, we have already seen a surge in Bond Connect applications in the recent months. Now with the block trading, tax exemption and RDVP enhancements, we expect that there will be a further significant increase in the number of applications from global real money funds and lead to a rise in trading volumes."

Bond Connect was established by the China Foreign Exchange Trade System & National Interbank Funding Centre (CFETS) and Hong Kong Exchanges and Clearing (HKEX). Tradeweb was chosen as the first trading venue to link to Bond Connect, leveraging the firm's leadership in global government bond markets to drive the electronification of China's bond market. Via the Tradeweb link to Bond Connect, investors can leverage the disclosed RFQ protocol to improve price discovery, submit orders, and execute all 30,000+ bonds tradable in the China Interbank Bond Market (CIBM), including Chinese government bonds, local government bonds, policy bank bonds, financial institution bonds, enterprise bonds, corporate debt instruments and more.

About Tradeweb Markets

Tradeweb Markets builds and operates many of the world's most efficient financial marketplaces, providing market participants with greater transparency and efficiency in fixed income, derivatives and ETFs. Focused on applying technology to enhance efficiency throughout the trade lifecycle, Tradeweb pioneered straight-through-processing in fixed income and now supports marketplaces for more than 25 asset classes with electronic execution, processing, post-trade analysis and market data in an integrated workflow. Tradeweb Markets serves the dealer-to-customer markets through the Tradeweb institutional platform, wholesale trading through Dealerweb, and the U.S.-based retail fixed income community on Tradeweb Direct. Customers rely on Tradeweb to drive the evolution of fixed income and derivatives through flexible trading architecture and more efficient, transparent markets.

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