



25 January 2001

Contact
William Keane (02) 9210 6522
Email: William_Keane@corrs.com.au

Mr Tim Grimwade
General Manager, Adjudication
Australian Competition & Consumer Commission
470 Northbourne Avenue
DICKSON ACT 2602

Partner
Paul Hughes (02) 9210 6235
Email: Paul_Hughes@corrs.com.au

Our reference
PHH/WAK/BLOO1590-3418180



Dear Mr Grimwade

BLOOMBERG TRADEBOOK - EXCLUSIVE DEALING NOTIFICATION

We act for Bloomberg L.P. ("**Bloomberg**"), a Delaware limited partnership based in New York, Bloomberg Tradebook LLC ("**Bloomberg Tradebook**"), a Delaware limited liability company based in New York, Bloomberg Tradebook (Bermuda) Ltd ("**Tradebook Bermuda**"), a Bermuda limited company based in Bermuda, and Bloomberg Tradebook Australia Pty Ltd ("**BTA**"), an Australian limited company based in Sydney.

This letter encloses four notifications regarding the proposed conduct of our clients. The following paragraphs outline this conduct in more detail, and set out our clients' view of the application of relevant provisions of the Trade Practices Act 1974 (Cth) ("**TPA**") to the conduct.

Bloomberg's Risk Management Strategy

- 1 For reasons set out in this letter, our clients do not consider that the conduct described in this letter, and which is the subject of the enclosed notifications constitutes third-line forcing in contravention of sections 47(6) and (7) of the TPA.
- 2 However, our clients recognise that certain features of the conduct may give rise to a risk of being regarded as third-line forcing. For this reason, our clients have elected to file the enclosed documents in order to responsibly manage this perceived risk. Of course, our clients would appreciate any comments the Commission may have in relation to the proposed conduct and would be happy to address any questions the Commission may have.

GOVERNOR PHILLIP TOWER 1 FARRER PLACE SYDNEY NSW 2000
GPO BOX 9925 NSW 2001
TELEPHONE (02) 9210 6500 INT +612 9210 6500 FAX (02) 9210 6611
DX 133 SYDNEY

25 January 2001
Mr Tim Grimwade

Page 2

Parties and Services

- 3 Bloomberg carries on a business of providing electronic information services to interested parties in relation to financial markets (the "**BLOOMBERG PROFESSIONAL service**"). Bloomberg's customers subscribe to the BLOOMBERG PROFESSIONAL service and are provided, through a customer's computer and via dedicated telephone circuits, with access to a database of financial information and news and calculation software to perform financial analysis on such information. All of the information and software is housed in the United States. The BLOOMBERG PROFESSIONAL service is provided for a flat monthly fee ("**Access Fee**") under a renewable two-year contract. In connection with its supply of the BLOOMBERG PROFESSIONAL service, Bloomberg may supply subscribers with certain computer hardware to access the BLOOMBERG PROFESSIONAL service. At a minimum, this will be a standard keyboard with BLOOMBERG PROFESSIONAL function keys. For an additional charge, Bloomberg will provide an enhanced monitor or a computer.
- 4 Bloomberg Tradebook and Tradebook Bermuda are 100% owned by Bloomberg and carry on the business of supplying services for facilitating access to an electronic order routing and matching system ("**Trading Facility Services**"). Bloomberg Tradebook acts as introducing broker for user transactions in U.S. equity securities and Tradebook Bermuda acts as introducing broker for user transactions in non- U.S. equity securities ("**Introducing Brokerage Services**").
- 5 These computerised equity securities trading systems generally operate over the same network as the BLOOMBERG PROFESSIONAL service (there are exceptions, noted in this letter). There are two groups of services:
- (a) Services associated with facilitating user transactions in U.S. equity securities (the "**U.S. Tradebook System**"); and
 - (b) Services associated with facilitating user transactions in non-U.S. equity securities ("**Global Tradebook System**").
- 6 BTA is 100% owned by Bloomberg and was formed at the request of the Australian Securities and Investment Commission ("**ASIC**"). BTA carries on the business of promoting and facilitating in Australia the U.S. Tradebook System and the Global Tradebook System. BTA holds a dealers licence under section 784 of the Corporations Law. The U.S. Tradebook System has received a No Action Letter from the ASIC relating to matching on the U.S. Tradebook System of securities quoted

25 January 2001
Mr Tim Grimwade

L A W Y E R S

Page 3

on Nasdaq. The Global Tradebook System intends to apply for appropriate no-action or exemptive permission to operate in Australia.

7 For orders entered on the U.S. Tradebook System, B-Trade Services LLC ("**B-Trade Services**") , a Delaware limited liability company based in New York, will act as the executing broker and counterparty to all trades ("**U.S. Brokerage Services**"). B-Trade Services is owned by the Bank of New York and is not affiliated with Bloomberg. Clearing and settlement services will be provided by BNY ESI & Co Inc ("**BNY ESI**"), which acts as the clearing broker ("**U.S. Clearing Services**") for trades effected on the U.S. Tradebook System. B-Trade Services and BNY ESI perform their services solely in the United States and do not have a registered commercial presence or a physical presence in Australia.

8 For orders entered on the Global Tradebook System, G-Trade Services Ltd. ("**G-Trade Services**"), a Bermuda limited company based in Bermuda, will act as executing broker and counterparty to all trades ("**Global Brokerage Services**") together with U.S. Brokerage Services, ("**Brokerage Services**"). G-Trade Services is wholly owned by Credit Lyonnais Securities Asia BV and is not affiliated with Bloomberg or The Bank of New York. Clearing and settlement services will be arranged or provided by G-Trade Services ("**Global Clearing Services**") together with U.S. Clearing Services, ("**Clearing Services**") for trades effected on the Global Tradebook System.

NON-NOTIFICATION CONDUCT

Supply of Trading Facility Services and Acquisition of Brokerage Services and Clearing Services

9 We are instructed that users may acquire Trading Facility Services without being required to trade at all. Therefore, acquiring access to the U.S. Tradebook System and the Global Tradebook System and the corresponding supply of Trading Facility Services is not conditioned upon use of the Introducing Brokerage Services, the U.S. or Global Brokerage Services or the U.S. or Global Clearing Services. For that reason, this aspect of our clients' proposed conduct is not the subject of a notification.

NOTIFICATION CONDUCT

Supply of Introducing Brokerage Services and Acquisition of U.S. or Global Brokerage Services and U.S. or Global Clearing Services

10 We are instructed that, when a user trades on the Tradebook System or Global Tradebook System, it engages in a single transaction of

transferring ownership to securities. In the course of that transaction, a user will simultaneously acquire a bundle of services comprising U.S. or Global Introducing Brokerage Services, U.S. or Global Brokerage Services and U.S. or Global Clearing Services. The supply of this bundle of services will be facilitated by Bloomberg Tradebook or Tradebook Bermuda (as applicable).

11 Our clients consider that these arrangements resemble the conduct considered by the Federal Court in *The Paul Dainty Corporation Pty Ltd & Anor v The National Tennis Centre Trust & Ors* (1990) ATPR 41-029. On this basis, they do not consider that their proposed conduct contravenes sub-sections 47(6) or (7) of the TPA.

12 However, our clients appreciate that the Commission may take a contrary view and for this reason, we have been instructed to file the notification which is enclosed and marked "A". You will note that the enclosed notification assumes that

- (a) Bloomberg Tradebook offers to supply Introducing Brokerage Services conditioned upon users acquiring:
 - (i) Brokerage Services from B-Trade Services; and
 - (ii) Clearing Services from BNY ESI; and
- (b) Tradebook Bermuda offers to supply Introducing Brokerage Services conditioned upon users acquiring:
 - (i) Brokerage Services from G-Trade Services; and
 - (ii) Clearing Services arranged or provided by G-Trade Services.

Accommodation Policy

13 Bloomberg Tradebook and Tradebook Bermuda also propose offering an incentive program to their customers (the "**Accommodation Policy**"). In accordance with this policy, Bloomberg Tradebook and Tradebook Bermuda will pay the cost of the Access Fee payable to Bloomberg for the BLOOMBERG PROFESSIONAL service (assuming the Tradebook customer is also a customer of Bloomberg for the BLOOMBERG PROFESSIONAL service) if the Tradebook customer exceeds a minimum trading threshold on the U.S. Tradebook System and/or the Global Tradebook System.

25 January 2001
Mr Tim Grimwade

Page 5

- 14 Our clients regard this conduct as the offer by Bloomberg Tradebook and Tradebook Bermuda of a waiver of the Access Fee payable by the user to Bloomberg for the BLOOMBERG PROFESSIONAL service conditioned upon the acquisition of other services also supplied or arranged by Bloomberg Tradebook and Tradebook Bermuda (i.e. generating a sufficient amount of commissions as a result of trading activity by the user on the U.S. Tradebook System or the Global Tradebook System). Further, they also consider that the offer of the discount is not made on condition that the user will acquire further services, but is made on condition that the user has already acquired services. Further, a user is not required to take this discount.
- 15 However, our clients recognise that the Commission may regard the Accommodation Policy as possibly involving:
- (a) Bloomberg offering the discount on the BLOOMBERG PROFESSIONAL service, or services related to the offer of the discount on condition that users acquire further services from Bloomberg Tradebook, Tradebook Bermuda or other parties; and/or
 - (b) Bloomberg Tradebook and Tradebook Bermuda offering the discount on condition that users acquire Brokerage Services from B-Trade Services or G-Trade Services and Clearing Services from BNY ESI or G-Trade Services, or its chosen representative.
- 16 For this reason, we enclose 2 notifications marked "B" and "C".

Supply of Trading Facility Services and acquisition of other services from Bloomberg

- 17 We are instructed that users will be able to access the Bloomberg Tradebook system without acquiring any subscription to the BLOOMBERG PROFESSIONAL service. Access to the Trading Facility Services will be offered in three ways:
- (a) computer -to -computer interface to the U.S. Tradebook System and/or the Global Tradebook System but no access to the BLOOMBERG PROFESSIONAL service (in which case, no Access Fee is charged to the user);
 - (b) full BLOOMBERG PROFESSIONAL service terminal, enabled to access the U.S. Tradebook System and/or the Global Tradebook System where the user pays to Bloomberg the

25 January 2001
Mr Tim Grimwade

Page 6

appropriate Access Fee for the BLOOMBERG PROFESSIONAL service; or

- (c) full BLOOMBERG PROFESSIONAL service terminal, enabled to access the U.S. Tradebook System and/or the Global Tradebook System where the Access Fee for the BLOOMBERG PROFESSIONAL service is paid by Bloomberg Tradebook and Tradebook Bermuda pursuant to the Accommodation Policy.

- 18 However, in order to access the U.S. Tradebook System and the Global Tradebook System, it will be necessary for users to sign the Bloomberg Tradebook Agreement, to which Bloomberg will be a party.
- 19 Our clients consider that the practical effect of this conduct is that the supply of Trading Facility Services by Bloomberg Tradebook and Tradebook Bermuda is not conditioned upon the acquisition of any services from Bloomberg. However, because the Bloomberg Tradebook Agreement includes Bloomberg as a party, and because the Trading Facility Services are supplied by Bloomberg Tradebook and Tradebook Bermuda under license from Bloomberg, Bloomberg's electronic network and proprietary software, we are instructed to file the notification enclosed and marked "D". The notification assumes that the supply of Trading Facility Services by Bloomberg Tradebook and Tradebook Bermuda is conditioned upon the acquisition of some services from Bloomberg.

Business Rationale for Proposed Structure of Dealing

- 20 As alternative trading systems that provide integrated brokerage services, the U.S. Tradebook System and Global Tradebook System require the efficient interaction of distinct expertise. In order for the U.S. Tradebook System and the Global Tradebook System to operate in the most efficient and cost effective manner, our clients chose to outsource brokerage and clearing functions to unrelated parties to facilitate offering an integrated brokerage system.
- 21 Our clients consider that the proposed structure is the most effective and efficient way of providing Australian participants with access to the U.S. Tradebook System and Global Tradebook Systems. A structure which allowed users to select their own or multiple executing and clearing brokers is not practicable or cost efficient compared to a system that provides straight-through processing capabilities to users.
- 22 Our clients consider that the U.S. Tradebook System and Global Tradebook System will provide additional ways for Australian customers to have access to worldwide markets and real-time liquidity. This

25 January 2001
Mr Tim Grimwade



Page 7

additional access is expected to deliver significant benefits to Australian consumers.

If you have any queries, please contact William Keane on (02) 9210 6522.

Yours sincerely



Paul Hughes
Partner

"A"

FORM G

Regulation 9

[Front of Form]

COMMONWEALTH OF AUSTRALIA

Trade Practices Act 1974 - Sub-section 93 (1)

EXCLUSIVE DEALING:

NOTIFICATION

To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with sub-section 93 (1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47 (2), (3), (4), (5), (6) or (7), or paragraph 47 (8)(a), (b) or (c) or (9) (a), (b), (c) or (d), of that Act in which the person giving notice engages or proposes to engage.

1 (a) Name of persons giving notice:

The person giving notice is Bloomberg Tradebook LLC ("**Bloomberg Tradebook**") , a Delaware limited liability company based in New York.

Other relevant and related parties are Bloomberg L.P. ("**Bloomberg**") , a Delaware limited partnership based in New York, Bloomberg Tradebook (Bermuda) Ltd. ("**Tradebook Bermuda**"), a Bermuda limited company based in Bermuda and Bloomberg Tradebook Australia Pty Ltd ("**BTA**"), an Australian limited company based in Sydney.

(b) Short description of business carried on by those persons:

Bloomberg carries on a business of providing electronic information services to interested parties in relation to financial markets (the "**BLOOMBERG PROFESSIONAL service**"). Bloomberg's customers subscribe to the BLOOMBERG PROFESSIONAL service and are provided, through a customer's computer ("**Terminals**") and via dedicated telephone circuits, with access to a database of financial information, news and calculation software to perform financial analysis on such information. All of the information and software are housed in the United States. The BLOOMBERG PROFESSIONAL service is provided for a flat monthly fee under a renewable two-year contract. In connection with its supply of the BLOOMBERG PROFESSIONAL service, Bloomberg may supply subscribers with certain computer hardware to access the BLOOMBERG PROFESSIONAL service. At a minimum, this will be a standard keyboard with BLOOMBERG PROFESSIONAL function keys. For an additional charge, Bloomberg will provide an enhanced monitor or a computer.

Bloomberg Tradebook and Tradebook Bermuda are 100% owned by Bloomberg and carry on the business of supplying services for facilitating access to an electronic order routing and

matching system ("**Trading Facility Services**"). Bloomberg Tradebook is registered as a broker-dealer under the U.S. Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("**NASD**").

BTA is 100% owned by Bloomberg. BTA was formed at the request of the Australian Securities and Investment Commission ("**ASIC**"). BTA carries on the business of promoting and facilitating in Australia the U.S. Tradebook System and the Global Tradebook System (each as defined below). BTA holds a dealers licence under section 784 of the Corporations Law and the U.S. Tradebook System has received a No Action Letter from the ASIC relating to matching on the U.S. Tradebook System of securities quoted on Nasdaq. It is intended that an application be made for appropriate no-action or exemptive permission to operate the Global Tradebook System in Australia.

(c) Address in Australia for service of documents on these persons:

Corrs Chambers Westgarth
 Governor Phillip Tower
 1 Farrer Place
 Sydney NSW 2000
 DX 133 Sydney
 Ref: WAK/PHH/BLOO1590 – 3418180

2 (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:

This notification relates to the following services, each of which will be outlined in more detail below:

- Introducing Brokerage Services;
- Brokerage Services; and
- Clearing Services.

Introducing Brokerage Services

Bloomberg Tradebook supplies services for the facilitation of trading in equity securities. The services are broadly comprised of order matching and routing in an electronic environment. There are two groups of services:

- services associated with facilitating user transactions in U.S. equity securities ("**U.S. Tradebook System**"); and
- services associated with facilitating user transactions in non-U.S. equity securities ("**Global Tradebook System**").

Brokerage Services

For orders entered on the U.S. Tradebook System, B-Trade Services LLC ("**B-Trade Services**"), a Delaware limited liability company based in New York, will act as the executing

broker and counterparty to all trades (“**U.S. Brokerage Services**”). B-Trade Services is owned by The Bank of New York and is not affiliated with Bloomberg. B-Trade Services performs its services solely in the United States and does not have a registered commercial presence or a physical presence in Australia.

For orders entered on the Global Tradebook System, G-Trade Services Ltd (“**G-Trade Services**”) will act as the executing broker and counterparty to all trades (“**Global Brokerage Services**”) together with U.S. Brokerage Services, (“**Brokerage Services**”). G-Trade Services is wholly owned by Credit Lyonnais Securities Asia BV and is not affiliated with Bloomberg or The Bank of New York.

Clearing and Settlement Services

For trades effected on the Tradebook System, BNY ESI & Co., Inc. (“**BNY ESI**”), a Delaware corporation, acts as the clearing broker (“**U.S. Clearing Services**”). BNY ESI is owned by The Bank of New York and is not affiliated with Bloomberg. BNY ESI performs its services solely in the United States and does not have a registered commercial presence or a physical presence in Australia.

For trades effected on the Global Tradebook System, clearing and settlement services will be arranged or provided by G-Trade Services (“**Global Clearing Services**”) together with U.S. Clearing Services, (“**Clearing Services**”). If applicable local regulations require, G-Trade Services will engage local brokers and global custodians to assist in clearing and settling trades.

(b) Description of the conduct or proposed conduct:

In the context of the U.S. Tradebook System, Bloomberg Tradebook proposes offering Trading Facility Services on the condition that users acquire:

- Brokerage Services from B-Trade Services; and
- Clearing Services from BNY ESI.

In the context of the Global Tradebook System, Bloomberg Tradebook proposes offering Trading Facility Services on the condition that users acquire:

- Brokerage Services from G-Trade Services ; and
- Clearing Services arranged or provided by G-Trade Services.

3 (a) Class or classes of persons to which the conduct relates:

Authorised participants of the U.S. Tradebook System and the Global Tradebook System in Australia.

(b) Number of those persons:

(i) At the present time:

nil.

(ii) Estimate within the next year

The conduct involves offers to institutional and professional investors such as brokers and fund managers to become authorised participants . Bloomberg estimates the number of Australian participants to which the proposed conduct may relate in Australia in 2001 at 50 to 100.

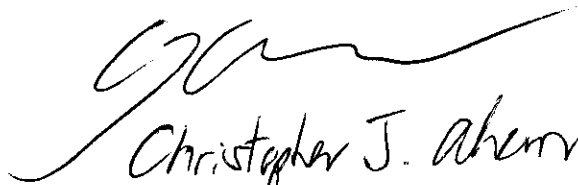
(c) Where number of persons stated in Item 3(b)(i) is less than 50, their names and address:

N/A.

4 Name and address of person authorised by that person giving this notice to provide additional information in relation to this notice:

Corrs Chambers Westgarth
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
DX 133 Sydney
Ref: WAK/PHH/ BLOO1590 – 3418180

Dated January 2001 Signed by/on behalf of the person giving this notice


Christopher J. Ahern
Partner

(Signature)

(Full Name)

(Description)

