

7 August 2001

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Our reference

JGM/WAK

Dear Mr Grimwade

BLOOMBERG POWERMATCH - EXCLUSIVE DEALING NOTIFICATION

We act for Bloomberg Tradebook Australia Pty Ltd (“BTA”), Bloomberg L.P. (“Bloomberg”) and Bloomberg PowerMatch LLC (“PowerMatch”). We enclose a notification regarding a proposed conduct of BTA, Bloomberg and PowerMatch and a cheque for \$1400 filing fee for those entities.

A description of the parties and their proposed conduct is contained in the enclosed notification. This letter summarises our clients’ approach to the application of the Trade Practices Act 1974 (Cth) (“TPA”) to their proposed conduct.

Notification as Risk Management

- 1 For reasons set out in this letter, our clients do not consider that the conduct that is the subject of the enclosed notification constitutes third-line forcing in contravention of sub-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 document in order to responsibly manage this perceived risk.

13 AUG 2001

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7 August 2001

Page 2

**Australian Competition and Consumer Commission
BLOOMBERG POWERMATCH - EXCLUSIVE DEALING
NOTIFICATION**

PowerMatch is not tied to the BLOOMBERG PROFESSIONAL SERVICE

- 3 Bloomberg carries on a business of providing electronic information services to interested parties in relation to financial markets ("BLOOMBERG PROFESSIONAL service").
- 4 BTA is 100% owned by Bloomberg and carries on a business in Australia of supplying services for facilitating access to an electronic order routing and matching system for securities.
- 5 PowerMatch, a Delaware limited liability company based in New York and wholly owned subsidiary of Bloomberg, operates in the United States an electronic bulletin board quotation display system in units of electric power, emission allotments and natural gas swaps, and will soon expand to spot foreign exchange, forward foreign exchange and foreign exchange swaps.
- 6 The enclosed notification relates to the offer of access to the PowerMatch system to participants in Australia. Access to the PowerMatch system will be offered to participants in Australia by BTA on behalf of PowerMatch. Initially, only foreign exchange interests will be offered on the PowerMatch system in Australia.
- 7 There are two ways in which a participant may access the PowerMatch system:
 - (a) through an existing subscription to BLOOMBERG PROFESSIONAL service; or
 - (b) through a computer -to -computer interface utilising specific PowerMatch software.
- 8 For that reason, our clients do not consider that BTA or PowerMatch will offer services on condition that participants acquire the BLOOMBERG PROFESSIONAL Service.

The Accommodation Policy

- 9 PowerMatch proposes offering an incentive program to its customers (the "Accommodation Policy"). In accordance with this policy, PowerMatch will pay the cost of the subscription fee payable to

7 August 2001

Page 3

Australian Competition and Consumer Commission
BLOOMBERG POWERMATCH - EXCLUSIVE DEALING
NOTIFICATION

Bloomberg for the BLOOMBERG PROFESSIONAL service (assuming the PowerMatch customer is also a customer of Bloomberg for the BLOOMBERG PROFESSIONAL service) if the PowerMatch customer exceeds a minimum trading threshold on the PowerMatch system.

- 10 Our clients regard this conduct as the offer by PowerMatch of a waiver of the subscription fee payable by the user to Bloomberg for the BLOOMBERG PROFESSIONAL service conditioned upon the acquisition of other services also supplied or arranged by PowerMatch (i.e. generating a sufficient amount of commissions as a result of trading activity by the user on the PowerMatch 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. For this reason, our clients do not consider that their conduct constitutes third-line forcing in contravention of Sub-sections 47 (6) and 47 (7) of the TPA.

The more detailed technical operation of the PowerMatch system has not been described in detail in this letter or the enclosed notification. If the Commission requires further information in relation to the practical operation of the PowerMatch system or in relation to any other matter, our clients would be happy to provide that information upon request.

Yours sincerely



William Keane
Senior Associate

encl and cheque for \$1400