

Citadel Securities to trade Treasuries on Tradeweb

Arrival of market maker shows the electronic trading venue is pushing beyond banks



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Citadel Securities, Ken Griffin's growing market-making outfit, will begin trading US government bonds on Tradeweb's platform, as the electronic venue tries to expand beyond the banks that own it.

Tradeweb, which was set up by 11 big banks that still retain an almost 50 per cent stake, has long been seen as a bastion of bank-dominated markets. But as some banks retreat from fixed income, Tradeweb is trying to prepare for a future with a more diverse set of participants on its platform.

“It has challenged Tradeweb’s traditional model which was pretty much exclusively in favour of banks being the only liquidity providers to investors,” said Paul Hamill, global head of fixed income, currencies and commodities at Citadel Securities, the market-making sibling to Mr Griffin’s well-known hedge fund.

Citadel Securities has become a significant challenger to banks’ dominant role in trading Treasuries with investors, and is even contemplating becoming a “primary dealer”, a select club of banks that sell the US government’s debt.

“They are recognising us as an important liquidity provider,” Mr Hamill said. “That is a positive development for the market.”

So far Citadel Securities has only been present on Bloomberg, the data and news provider that is also a rival trading venue. Bloomberg and Tradeweb each handle roughly half of the market for dealer to client electronic Treasury trades, according to Greenwich Associates.

Tradeweb has changed its rules to allow new participants to join. Previously, it only allowed primary dealers who underwrite the US government’s debt to trade directly with investors such as asset managers and insurance companies. “We had to work with them on changing their rules to become a participant. It was a much quicker process at Bloomberg,” said Mr Hamill.

Citadel Securities already trades derivatives such as interest rate swaps and credit default swaps on Tradeweb, given that regulation mandates the platform to offer impartial access.

The platform is in talks to bring other nonbank market makers on board as well, according to people with knowledge of the discussions. A deal with Citadel Securities has been a long time in the making, with conversations dating back to early 2016. Cost had been a sticking point, the people said

Bloomberg, where Citadel Securities has made headway in interest rate swaps and Treasuries, charges a fee per trade. In contrast, Tradeweb charges an upfront flat fee annually.

While Citadel Securities has become an increasingly big trader in a number of important markets, displacing bigger banks thanks to better technology and less onerous regulations, it recently let its chief executive — former Microsoft executive Kevin Turner — leave after just five months in the job.

“Citadel Securities is an exciting addition to the Tradeweb US Treasury marketplace, helping enhance and increase access to liquidity for institutional investors,” said Billy Hult, president of Tradeweb.