

# CEO MONTHLY MARKET UPDATE & ANALYSIS

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# I. Exclusive CEO Interview





<b>CEO:</b>	Jim Kwiatkowski
<b>Headquarters:</b>	New York, NY
<b>Founded:</b>	2020

- LTX applies AI technology to the corporate credit market in the US, providing AI-powered insights and improving liquidity and execution for investors and dealers
  - The platform provides dealers with data-driven tools to generate new business and enhance client engagement, and helps investors assess pre-trade liquidity, identify bonds and counterparties, and execute more efficiently
- LTX was started by Broadridge in June 2020 to offer an AI-enabled digital platform in the corporate bond trading market
  - Broadridge's post-trade processing platform processes trillions in fixed income and equity notional volume per day
- On June 6, 2023, LTX announced it had built BondGPT, an OpenAI GPT-4 powered platform that answers bond-related questions

### Management Team



**Jim Kwiatkowski**  
CEO



**AJ Cass**  
Head of Market Structure and Liquidity



**Abhishek Khandelwal**  
Chief Administrative and Strategy Officer



**Yuri Mironoff**  
Head of Development and Architecture



**Mary Beth Sweeney**  
Head of Product

### Products and Services



#### Bond discovery and selection:

- Patent-pending bond similarity model helps users to identify bonds with similar characteristics with real-time available liquidity
- BondGPT enables users to receive quick answers to complex natural language questions from many disparate data sources and models



#### Liquidity discovery:

- Cloud Match Scores identify and assess real-time contra-interest from within the Liquidity Cloud, the LTX network of anonymous real-time indications of interest



#### Counterparty selection:

- Dealer Selection Scores provide data-driven dealer selection assistance for buy-side clients
- Client recommendation engine assists dealers in identifying and connecting natural buyers and sellers within their client network



#### Trade Execution:

- RFX connects natural counterparties through a dealer
- RFQ+ combines Dealer Selection Scores with liquidity aggregation capabilities to facilitate larger trades with less information leakage



**Jim Kwiatkowski**  
CEO

### ***What is your background and what attracted you to the LTX opportunity?***

I have spent more than 20 years in the electronic trading industry. Before joining LTX, most recently I was Global Head of Transaction Sales at the London Stock Exchange where I led a global team responsible for FXall and Matching, the leading foreign exchange e-trading platforms for dealer-to-customer and interdealer trading. During that time, I oversaw significant growth through a period in which the majority of institutional FX trading moved to e-platforms. My experiences growing institutional electronic trading businesses across asset classes, including listed securities and OTC FX, enable me to see how electronic trading benefits customers, which attracted me to the LTX opportunity when I joined the Company two years ago.

### ***What is LTX?***

LTX is an e-trading platform that combines artificial intelligence with innovative trading protocols to improve liquidity, efficiency, and execution for buy- and sell-side market participants.

### ***Can you please explain the Broadridge relationship?***

LTX is a subsidiary of Broadridge, a global FinTech leader with over \$6 billion in revenues. Broadridge is a trusted partner to the fixed income community, processing an average of \$10+ trillion in fixed income and equity trades every day.

### ***For those that don't know the corporate bond market well, how does this market compare to other more digitized / electronic markets like Treasuries or even equities?***

While the corporate bond market has advanced over the last 20 years, it still faces liquidity and execution challenges. Approximately 40% of the US corporate bond market (investment grade) trades electronically compared to other asset classes where closer to 80-90% trades electronically.

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***“My experiences growing institutional electronic trading businesses across asset classes, including listed securities and OTC FX, enable me to see how electronic trading benefits customers, which attracted me to the LTX opportunity...”***

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Corporate bond market participants face several challenges. Often people say that the market is opaque, and that pre-trade transparency is a problem. The reality is that corporate market participants are overwhelmed with an overabundance of data and they often struggle to derive actionable insights to inform trading decisions. Information leakage remains a concern as well. Because of these reasons, executing larger size trades can be a challenge in this market.

### ***Where does LTX stand with regards to disrupting or complementing the traditional players in the corporate bond market?***

We're focused on electronifying the ~60% of the market that still trades bilaterally. In our discussions with our clients, they emphasize the value that they place on their dealer relationships in executing larger or less liquid trades. We're providing pre-trade analytics focused on bond selection, liquidity discovery, counterparty selection and trade execution protocols that help to enhance these relationships.

### ***Please explain how LTX ties together discovering liquidity, counterparties, trade timing, and trade execution.***

In terms of bond discovery and selection, our patent-pending bond similarity model helps users to identify bonds with similar characteristics along with real-time available liquidity. Our generative AI application BondGPT enables users to receive quick answers to complex natural language questions from many disparate data sources and models, helping them to make faster and more

informed decisions.

The LTX platform helps with liquidity discovery through Cloud Match Scores, which identify and assess real-time contra-interest from within the Liquidity Cloud, the LTX network of anonymous real-time indications of interest.

When it comes to counterparty selection, Dealer Selection Scores provide data-driven dealer selection assistance for buy-side clients and the Client recommendation engine assists dealers in identifying and connecting natural buyers and sellers within their client network.

Lastly, on the trade execution front we offer a variety of innovative protocols powered by patented technology. RFX® connects natural counterparties through a dealer and RFQ+ combines Dealer Selection Scores with liquidity aggregation capabilities. Both protocols are designed to facilitate larger trades with less information leakage.

***“Our generative AI application BondGPT enables users to receive quick answers to complex natural language questions from many disparate data sources and models, helping them to make faster and more informed decisions.”***

***LTX is a pioneer in leveraging AI to bring greater efficiencies and insights to the corporate bond market. Can you please give us examples of how AI is enhancing your product offerings?***

The LTX e-trading platform has leveraged AI from the beginning. As I mentioned, our patent-pending bond similarity model allows users to identify tradeable bonds in the absence of liquidity on a particular bond. The AI-driven model considers a vast range of parameters which allow the users to describe how and when they would consider a bond to be similar. The model quickly delivers the most similar bonds based on the user's criteria, and the outputs are sortable by similarity score and available liquidity on the platform.

Cloud Match Scores use a neural network to identify and measure real-time natural liquidity available on the LTX platform, providing scores which take price and size into account so users can focus on the matches most likely to result in trades.

Our patented RFX trading protocol allows a buy-side client to connect with natural buy-side liquidity through a dealer, using AI to identify natural counterparties. And our RFQ+ trading protocol, also powered by patented technology, leverages AI-powered dealer selection analytics and liquidity aggregation capabilities.

All of these capabilities and features are integrated within our generative AI application BondGPT which we launched in June and followed with our enterprise-grade BondGPT+ offering just last month.

***How does BondGPT differ from other fixed income analytics platforms? Is BondGPT primarily a user interface tool making it easier to access certain analytics, or is it actually a "new step" in fixed income analysis?***

With BondGPT, we wanted to take a different approach to the traditional ways users access data to make decisions, which typically create a lot of work for the end-user. In a tiny chatbox, BondGPT's natural language capabilities allow users to ask questions that would typically require access to multiple different datasets, often through different user interfaces, all at once. It takes up as much or as little screen real estate as the user requires. With BondGPT, we reimagined that workflow, helping market participants to combine data and models to quickly and accurately arrive at the time-critical insights they need to make trading decisions rather than various pieces of information they need to combine to get to these answers.

***Can a portfolio manager utilize a "private" version of BondGPT, or do everyone's queries contribute to centralized machine learning that everyone benefits from?***

We never use client data to train the models.

Data privacy and security were key principles as we built BondGPT. As part of the heritage of Broadridge, security is top-of-mind in how we gather the data, what's done with it, how we deliver it to the customer.

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In response to client demand, we recently launched BondGPT+ which is effectively a private version of BondGPT. BondGPT+ allows clients to integrate their own confidential data and financial models so that users can benefit from quick answers to complex questions which use both high quality curated third-party data sources and their own proprietary data, knowing that their data remains confidential and secure.

***What kinds of safeguards are built into the BondGPT system?***

***Does it ever make flat out mistakes?***

One of our first design principals for BondGPT was that there could not be hallucinations and that we could only deliver accurate answers. Accuracy, security, and compliance are key concerns for financial markets users, which we have addressed as part of BondGPT's architectural design.

We have heard concerns from clients about the "generative" aspect of GPT and hallucinations - other LLM implementations have had reports that the AI returns inaccurate answers from the LLM's embedded knowledge. BondGPT avoids hallucinations. It does not use the LLM for bond data, instead it uses the LLM to understand the question and returns data from a curated collection of proven industry and proprietary sources.

Like all AI, BondGPT can misinterpret a user's question if it is vague. We've designed user experiences that let the user know exactly what the question was interpreted as, and incorporated AI explainability into the model that allows the user to ask BondGPT to "show your work" so users understand precisely how the analysis was retrieved.

There is an AI-powered compliance rules engine within BondGPT. This adversarial AI agent systematically reviews responses to ensure they meet compliance rules but is also another accuracy check.

Information security is a paramount concern for LTX and our clients. All LTX services are provided within the highly secure and audited Broadridge infrastructure.

***Since launch, what has the user feedback been?***

Appetite from our buy-side clients has been tremendous for all the reasons we've just talked about and one more – they have their own data that they want to integrate into BondGPT. Clients saw the value in BondGPT, but they told us that some of the most valuable data that they use daily is their own proprietary data and their own models that help them select bonds.

Having only released BondGPT in June, these client requirements drove us to deliver a next version, BondGPT+, only four months later. BondGPT+ builds on BondGPT with enterprise integration capabilities and some exciting premium customization and explainable AI features.

***"Data privacy and security were key principles as we built BondGPT. As part of the heritage of Broadridge, security is top-of-mind in how we gather the data, what's done with it, how we deliver it to the customer."***

### *What is on the longer-term product roadmap for LTX and where do you see the Company over the next 5-10 years?*

It is our goal to continue to provide fixed income users with innovative analytics and trading tools.

As we talk to clients, their imaginations give rise to more feature requests for how our technology can become even more useful. The more customers we engage, the most interesting ideas will come our way, and we will continue to innovate and co-create with our clients.

Our work with both AI and innovative trading protocols has shown us that the combination can allow us to provide tools that lead to much more efficient workflows.

***“As we talk to clients, their imaginations give rise to more feature requests for how our technology can become even more useful...we will continue to innovate and co-create with our clients.”***



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