

Competitive Study of Online Bond Trading - Summary



The only broker to be awarded an A+ grade

Firm / Offering	Grade
Fidelity	A+
E*Trade	A
TD Ameritrade	A
Scottrade	A-
TradeKing	A-
Vanguard	A-
Charles Schwab	B
Merrill Edge / ML Wealth Mngt.	B
OptionsXpress	C

Research Methodology: Corporate Insight (CI) reviewed online fixed income trading platforms provided by firms in the coverage group. CI focused on which products clients can buy and sell online, as well as the overall trading process. They looked at search capabilities, features, and other resources that are provided. CI did not review the quality and depth of bond pricing, quotes provided or the capacity of product inventories provided by each firm. In addition, they did not review educational content for fixed income trading. (Report, P.5)

“Best Practices” – what the judges were looking for

- | | Fidelity |
|--|----------|
| ▶ Offer a full array of fixed income products for online trading | ✓ |
| ▶ Provide individual screeners for all fixed income products | ✓ |
| ▶ Provide a bond ladder tool | ✓ |
| ▶ Provide quick search capabilities for fixed income products | ✓ |
| ▶ Display account information and holdings on trade tickets | ✓ |
| ▶ Allow clients to search fixed income products by CUSIP or issue name | ✓ |

Excerpts from Report highlighting Fidelity's Offering

“Fidelity offers the best online fixed income trading platforms, with comprehensive screeners, a bond ladder, detailed research tools, reports and commentaries all available from a centralized location.” (Report, P.3)

“Fidelity provides clients with one of the best bond ladder tools among firms covered in this report, as it enables clients to fully customize their bond ladder, easily locate appropriate investments, save the ladder for later use, export the inputted criteria into the firm's Fixed Income Analysis tool and purchase the entire ladder.” (Report, P.12)

“Fidelity offers the best online bond trade ticket, with a design that resembles its other trade tickets (and thus is familiar to clients), includes real-time quotes and provides access to detailed account information.” (Report, P.13)

“In addition to providing the entire host of new issue and secondary market fixed income products – U.S. Treasuries, CDs, agency/GSE bonds, municipal bonds and corporate bonds – Fidelity also provides practical and intuitive tools for evaluating fixed income purchases.” (Report, P.28)

Fidelity has most complete set of bond tools

Firm / Offering	Fidelity	E*T	TDA	Schwab	ML
Bond Ladder Tool	●	●	●		●
Bond Search Tool (1)	●	●	●		
Bond Comparison Tool	●				●
Fixed Income Analysis Tool	●				
Bond Calculator (Price/Yield)	●		●		●
Taxable Yield Calculator	●		●		●
Economic Calendar	●	●	●	●	
Yield Table	●	●	●	●	●
Bond Glossary (2)				●	

Source: Corporate Insight “Online Fixed Income Trading”, November 2013

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(1) CI's defines as a “non-screener search”. Likely search by cusip or name
 (2) Fidelity has a bond glossary albeit integrated into the general glossary



Detailed Comparison



Notes:

- 1 K = KCG BondPoint; P = Proprietary, B = BondDesk, TW = Tradeweb
- 2 Powered by OneSource – Schwab's proprietary trading platform
- 3 Taxable yield feature built into bond income calculator
- 4 Other than bond screeners
- 5 Fixed Income Analysis Tool
- 6 BondScope tool provided directly on trade tickets
- 7 Performing a CUSIP search directs users to the search results page, not trade ticket.
- 8 Users can also search by CUSIP.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

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Source: Corporate Insight "Online Fixed Income Trading", November 2013

	Charles Schwab	E*TRADE Financial	Fidelity	Merrill Edge	Merrill Lynch WM	optionsXpress	Scottrade	TradeKing	TD Ameritrade	Vanguard
FINAL GRADE	B	A	A+	B	B	C	A-	A-	A	A-
Trading Platform Provider⁴	P ²	B	P	P	P	B	K	K	K	TW
Product Availability – Online Trading										
Corporate Bonds										
New Issue	*	*	*	*	*	*	*	*	*	*
Secondary	*	*	*	*	*	*	*	*	*	*
Municipal Bonds										
New Issue	*	*	*	*	*	*	*	*	*	*
Secondary	*	*	*	*	*	*	*	*	*	*
Treasuries										
Auction	*	*	*	*	*	*	*	*	*	*
Secondary	*	*	*	*	*	*	*	*	*	*
TIPS	*	*	*	*	*	*	*	*	*	*
Agency/GSE Bonds										
New Issue	*	*	*	*	*	*	*	*	*	*
Secondary	*	*	*	*	*	*	*	*	*	*
Certificates of Deposit										
New Issue	*	*	*	*	*	*	*	*	*	*
Secondary	*	*	*	*	*	*	*	*	*	*
Product Screeners										
Corporate Bonds	*	*	*	*	*	*	*	*	*	*
Municipal Bonds	*	*	*	*	*	*	*	*	*	*
Treasuries	*	*	*	*	*	*	*	*	*	*
Agency/GSE Bonds	*	*	*	*	*	*	*	*	*	*
Certificates of Deposit	*	*	*	*	*	*	*	*	*	*
Other Features										
Yield Performance Tables	*	*	*	*	*	*	*	*	*	*
Search by CUSIP	*	*	*	*	*	*	*	*	*	*
Quote at Trade Ticket	*	*	*	*	*	*	*	*	*	*
Account Information on Trade Ticket (e.g., buying power)	*	*	*	*	*	*	*	*	*	*
Existing Bond Holdings Displayed on Trade Ticket	*	*	*	*	*	*	*	*	*	*
Tools										
Bond Comparison Tool	*	*	*	*	*	*	*	*	*	*
Bond Ladder Tool	*	*	*	*	*	*	*	*	*	*
Bond Calculator	*	*	*	*	*	*	*	*	*	*
Taxable Yield Calculator	*	*	*	*	*	*	*	*	*	*
Economic Calendar	*	*	*	*	*	*	*	*	*	*
Bond Glossary	*	*	*	*	*	*	*	*	*	*
Bond Search Tool ⁴	*	*	*	*	*	*	*	*	*	*
Other Tools	*	*	*	*	*	*	*	*	*	*
Fixed Income Order Entry Ticket	*	*	*	*	*	*	*	*	*	*
Order Entry Only Via Screener	*	*	*	*	*	*	*	*	*	*