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# Tradeweb's CEO spent two decades building a $21 billion juggernaut that has completely upended the byzantine world of bond trading

*By Declan Harty*

An anxious excitement was setting in across Wall Street. It was the spring of 2019, and, *finally*, after years of Silicon Valley darlings eschewing the public markets, a stampede of hot, new listings was to open up to the masses. Uber. Lyft. Slack. It was a herd of companies that seemed to be sure-fire bets, having posted stunning levels of growth over the prior years that investors were itching for a chance to get in on. Or at least that was the thought. The greetings that many companies found in their debuts, in reality, were colder than originally expected. Investors proved to have fickle appetites for money-losing ventures—no matter how much they had already upended society's norms.

Hidden in the pack was a different breed of tech unicorn, though. Rooted in the byzantine world of the bond markets, Tradeweb was far from the archetypal startup. It was older than Google, and, beyond Wall Street, not at all a household name. And it dazzled. The stock jumped more than 30% on its first day of trading in April 2019 in what would turn out to be the beginning of a now-three-year-long rip higher for the share price, which now hovers around $89.

Led by Lee Olesky, a lawyer by training who two decades earlier had taken a flier on a new fledgling technology called the Internet, Tradeweb hadn't reinvented the taxi business, replaced "chat messages" with "Tradewebs," or created the newest social media platform. Rather, what the New York company has done over the last 25 years is help usher a revolution onto Wall Street itself by taking on the once unfathomable task of digitizing the vast, complex, and international fixed-income markets, an inarguably more niche and maybe less sexy startup story, but one that investors loved.

Come 2023, Olesky's career in the electronic bond trading business will hit its maturity date—capping off a run that has included Olesky starting not one but two different electronic trading companies in Tradeweb and BrokerTec; leading Tradeweb through a pandemic; and building it into a new type of fixed-income juggernaut. It's a resume that undoubtedly will lead many to call Olesky an electronic-trading pioneer, a title that the Tradeweb CEO demurs at but acknowledges is a conclusion that is "hard not to come back to" when reviewing his career. In the meantime, though, there's still a ways to go toward achieving Tradeweb's vision for a more modern market, Olesky, now 60 years old with hair that is more salt than pepper, told *Fortune* during a series of interviews

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**Lee Olesky**

tracing the bond market's evolutions.

"Everyone's like, 'OK, well once it's all electronic, then what are you guys going to do?' I'm like, 'Ever look at one of these things?' It feels like it keeps changing every other day," says Olesky, while holding up his cell phone on a Zoom call with *Fortune*. "We have a ways to go in terms of automating things and making things more efficient. ... If you look at other industries and other technology offerings that are digitizing or have digitized, it keeps going and it keeps going. It's really not limited. It's limited by people's imagination and ability to execute on strategies."

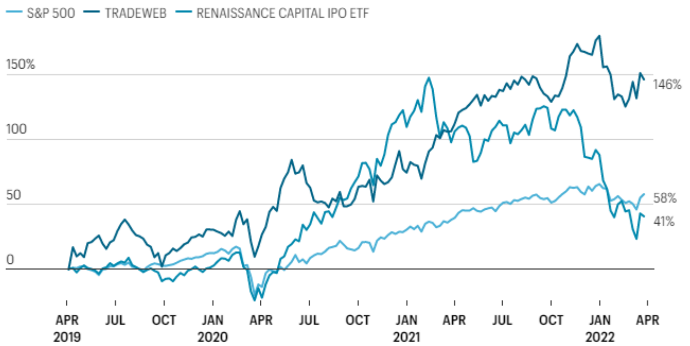
## A better way

Lee Olesky didn't grow up set on upending Wall Street, or, for that matter, even necessarily working on it.

A New Jersey native who studied history in college at Tulane University, Olesky likes to describe his younger self as someone who loved to travel and learn. He wasn't sure exactly what to do after graduating from college, but Olesky knew he wanted to keep studying. So, like any other reasonable 20-something-year-old with no definitive career plans, he went to law school, leading him to work as an M&A lawyer for two years.

In 1989, Olesky, exhausted from the late nights of writing deals and sifting through reams of paperwork, pivoted into finance by way of First Boston, which was later renamed Credit Suisse First

**Tradeweb's stock up almost 150% since IPO**

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Boston (and now just Credit Suisse). It didn't take long for him to start climbing the bank's ranks. Just a few years later, following a stint working for the trade group then known as the Public Securities Association and returning to Credit Suisse First Boston, Olesky was named COO of the bank's fixed-income business, putting him in charge of the people, operations, and technology that were a part of it.

Sitting in an office on the bank's trading floor, Olesky had a new vantage point.

The bond markets were at the time ruled by the legions of salespeople and traders working for big banks and spending their days yelling over the phone to deal debt from one side to the other. And Olesky found that an "awful lot of information" was getting lost in the shuffle—both for clients looking to find the best possible price on a bond and for the banks hoping to track their employees' performances, he says. It was a phone-based mess, for lack of a better term.

Olesky wasn't alone in seeing the issues with the current structure. Fellow Credit Suisse First Bostonian Jim Toffey, who Olesky had known for years by then, did too. And eventually, the pair began discussing the idea of an electronic bond trading platform.

## The online bond market is born

Founded in 1996, with Toffey as CEO and Olesky as chairman, Tradeweb was set up as a consortium-backed venture that counted Goldman Sachs, Salomon Brothers, Lehman Brothers and Credit Suisse First Boston as its investors.

While the banks were the very businesses that a company like Tradeweb could (and would) ultimately supersede in the bond markets, the rationale of bringing them into the fold was clear for Olesky, who used relationships he had built up previously while at the industry group the Public Securities Association in Washington, D.C. to generate interest in the idea. Bank trading desks were after all the bond markets' primary trading hubs, meaning they could bring both credibility and liquidity to Tradeweb's platforms, says Olesky, who now cites the decision to pursue a consortium structure as a key reason why Tradeweb found success. "Going it alone would have been much more challenging," Olesky says.

The company went live in 1998 by offering Wall Street what it originally called "The Online Bond Market," Internet records show. Until then, if a trader needed to know the price on a U.S. Treasury bond, they'd have to call any number of different banks to figure out what they were quoting. It was a manual and sometimes laborious process. So, Toffey, Olesky, and the Tradeweb team—based out of a loft in New York City's Tribeca neighborhood ("the garage of New York," as Olesky called it)—devised a way for hedge funds, mutual funds, and insurance companies to be able to retrieve the prices electronically from the banks who were signed onto the platform.

The Online Bond Market may pale in comparison to the technology that Tradeweb's current offerings entail, which include an artificial intelligence pricing strategy for corporate bonds, but, for the time, it was revolutionary. Whether it would be adopted was the question, nonetheless. The Internet was still a newfangled technology that no one could have known the potential of, let alone Wall Street bankers and traders. "It was a totally different world when it comes to technology, Olesky says. "Within my own bank, this was viewed as a little side project, something that was unlikely to have an impact and probably wouldn't work."

Added to the pile of doubts was the fact that Tradeweb was not alone in its ambitions, either. Similar ventures were popping up across Wall Street as banks, brokerages, and rogue traders looked to stake a claim in the bond market's next iteration. A 1999 survey of from Coalition Greenwich, then called Greenwich Associates, shared with *Fortune*, in fact, shows a long list of "on-line systems" being used by investors, including TradeWeb (No. 1), Bloomberg's Bond Trader, BondNet, Trading Edge, Deutsche Bank-Autobahn, and Intervest.

Even for Olesky, who stayed at Credit Suisse First Boston throughout Tradeweb's launch, believing in the bond market's next iteration was more of a slow burn than a light bulb going off overhead, the Tradeweb CEO has admitted before. "I wasn't 100% convinced that it would work or amount to anything," Olesky said in March 2021 on a webcast hosted by Aite Group. "In fact, when I talked with the guys who ran the Treasury trading businesses … they all thought I was crazy. They said, 'It is never going to work.' And I said, 'We'll give it a shot.'"

## A new venture leads back to old

What sold Olesky on the model was, ultimately, the buy-in from others.

By 1999, Tradeweb counted 11 different dealers on its network, including Merrill Lynch, Barclays Capital, JP Morgan, and Deutsche Bank, the Internet's growth was in full swing, and it was quickly becoming apparent that all those declarations that the digital age was a fad were bound to fall flat on their face, even if the dot-com bubble was still on the horizon. "Once things start to work," Olesky says, "you buy in and you commit a little more."

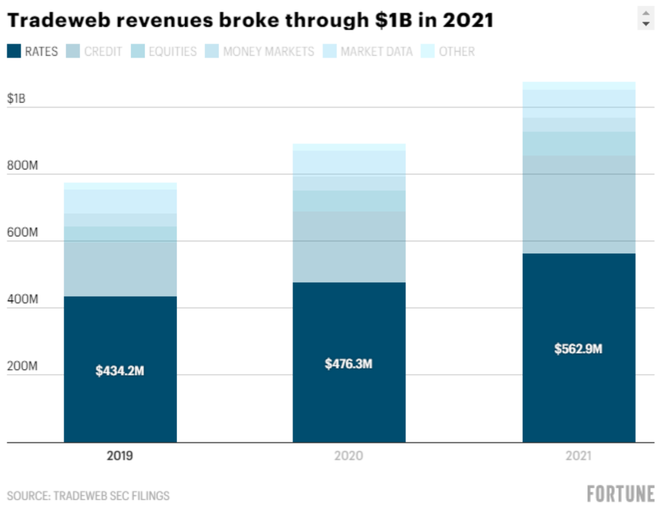
So, that's what Olesky did himself. One day in 1999, following a Tradeweb board meeting and while on the way to the elevators, Olesky approached an executive from Goldman Sachs who was on the board as well about the idea of taking the electronic trading model to the interdealer market—the section of the U.S. Treasury market where banks trade with other banks. And before long, Olesky, having left Credit Suisse First Boston and the Tradeweb board, was holed up in Goldman Sachs' offices writing the business plan for a new electronic-trading venture that would eventually become BrokerTec, which Olesky then sold three years later to ICAP for about $240 million.

Olesky, it turns out, wasn't yet done with Tradeweb, though.

## "Never outmanned in a meeting"

Fast forward to today and Tradeweb's business looks a bit like, well, a web. And a big one at that.

Under Olesky, who rejoined the company in 2002 and took over as CEO in 2008, Tradeweb has sprawled further and further into different asset classes and geographies, making it integral to just about everything from U.S. corporate bonds to European exchange-traded funds to the Chinese bond markets. It's not just a player in many of today's bond markets, which Coalition Greenwich head of market structure and technology research Kevin McPartland says "are absolutely electronic markets at this point." "We've seen the markets go from completely bilateral over the phone to heavily electronic,"




McPartland tells *Fortune*. Tradeweb's a giant.

Just look at the data. Today, about 62% of trading in the U.S. Treasury market, where Tradeweb cut its teeth 24 years ago, is estimated to have taken place on electronic platforms in 2021, according to Coalition Greenwich. Of that, about a third happened through Tradeweb. In the U.S. corporate bond market, a space that Tradeweb has been making an aggressive push into as of late, electronic trading accounts for 37% of volumes in investment grade bonds and 27% of high-yield bonds, Coalition Greenwich data show. Tradeweb boasts a market share of more than a quarter of electronically traded volumes in the U.S. corporate bond market. (By comparison, MarketAxess, the electronic trading pioneer in corporate bonds led by CEO Rick McVey, has a market share of about 52%, according to McPartland.)

In fact, Tradeweb's reach has become so big that in 2021 the company bought Nasdaq's U.S. fixed-income electronic trading platform for $190 million. Launched by Cantor Fitzgerald in the 1990s, the business known formerly as eSpeed was a pioneering force in electronifying the side of the U.S. Treasury market where dealers like banks trade with one another—the very same market that Olesky had helped revolutionize through BrokerTec, which is now part of CME Group. "It's probably one of those inside jokes that only I understood because everyone else is retired," Olesky says about acquiring his former rival company. "What we're trying to do at Tradeweb now is really provide as many solutions for the different types of customers out there to trade Treasuries. And to buy eSpeed, it was a component we didn't have."

None of it has come easily. Beyond the flood of competitive and technological questions in its early days, Tradeweb, throughout much of Olesky's tenure as CEO, has faced resistance from many Wall Street stalwarts that were hesitant to adopt electronic trading in the markets they had long dominated, says Billy Hult, who has been a long-time right-hand man to Olesky as Tradeweb's president.

"There was significant resistance from strong-minded, powerful people in the industry," Hult, who will succeed Olesky as CEO in the new year, tells *Fortune*. "Lee was never outmanned in a meeting," he notes, calling his boss' personality "formidable."

Also formidable has been Tradeweb's return to investors over the years. Though the company has changed hands **several times** (including a 2004 sale to Thomson Financial, and a 2008 move back to a consortium model) since its 2019 IPO, an investor that bought in at the closing price on Tradeweb's first day of trading, would have seen their money triple. Tradeweb shares have outperformed the S&P 500 as well as the broader IPO market as judged by the Renaissance Capital IPO exchange-traded fund.

Between 2019 and 2021, Tradeweb has seen total revenue jump 39%, while profits have skyrocketed 58%. And in perhaps the most striking example of just how big Tradeweb has become, the company reported that in 2021 its total average daily volume surpassed $1 trillion, a level it maintained so far in 2022, a spokesperson confirmed to *Fortune*.

That means that more money travels through Tradeweb's systems on any given trading day than the entire U.S. stock market.

## What customers want

Olesky says that a "key element" of Tradeweb's culture has been building relationships that go beyond its internal ranks, including understanding what clients are wanting at any given point. "The relationship drives the thinking that drives innovation," he says.

The pivot to remote work during COVID proved to be a boon to the business: traders, cooped up at home and robbed of the adrenaline-pumped environment that is a trading floor, **were** more open to trying new things during the pandemic, including electronic-trading tools like Tradeweb's. Says Olesky: "There's been a capitulation using virtual interaction and digital interaction." (As for Tradeweb employees, they went remote during March of 2020 and now operate with a hybrid model.)

Stepping aside as CEO was a "tough decision," Olesky says, but one that had been in the works for months by the time it was announced in February. He's not going far come the new year. Recently named chairman of Tradeweb's board, Olesky will hold onto that title throughout at least 2023 and 2024, while Hult takes the reins as CEO. In the meantime, Olesky's just focused on the work that still needs to be done. And there's plenty of it—if trading is going to ultimately become even more electronic than it is today, as he expects.

"It's just a matter of time before everything is digitized. Here we are talking on Zoom for the interview. I'll order my stuff on my laptop that I need to deliver to my house. You have digital sports. Everything is moving in that direction," Olesky says. "And I think trading will be the same way."