

Autorité des marchés financiers: 2010 Scientific Advisory Board Conference

Regulation of securities trading: Issues and the Way Forward

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Investors get a better result from algos, but orderbook trend is one of shrinking trade size: with no change in tariffs, costs to brokers increase as% of value traded; this is especially true of post-trade fees which correlate more with number of trades: the solution is to introduce 'user choice' to allow firms to consolidate clearing multi-market, reduce frictional costs, and encourage liquidity – see next slide.

LSE orderbook: increasing number and value of trades, lower avg trade size

Source: www.londonstockexchange.com Factsheets and News

	Order book average size (£ 000's)		Number of trades (millions)		Value traded (£ bn)	
	2008 vs 1999	2009 vs 2005	2008 vs 1999	2009 vs 2005	2008 vs 1999	2009 vs 2005
2009	7	<i>down</i> 2 / 3	148.4	<i>up</i> 3x	1,025	- 3% ~ flat
2008	10	-84%	186.6	up 35x	1,883	up 6x
2007	15	Aug de-leveraging; Nov MiFID	134.0		1,998	
2006	19		78.2		1,515	
2005	20		51.4		1,052	
2004	21		40.8		875	
2003	22		32.9		715	
2002	28		23.8		671	
2001	41		15.8		650	
2000	62		8.6		531	
1999	63	Peak of internet bubble, FTSE 100	5.4		339	
1998	59		3.6		210	

...1999-2008, order book value traded up 6x, number of trades up 35x

...in a market featuring significant off-orderbook trading/crossing... has not slowed dramatic on-orderbook growth

...note 2008 value < 2007, 2008 number > 2007



...for 2005-2009: similar value traded, yet trade size down 2 / 3 and number of trades up 3x

EU CASH EQUITIES CCPs at May 2010

Largest number processed on orderbook --> smallest
FESE orderbook year-to-date July 2009

3rd party non-displayed pools

lit pools not FESE ranked

	Trading [Settlement_CSDL]		UK		Fr Be Ne Po		panEU MTF		Germany		Italy		Nordic <small>Swe Fin Den et al.</small>		panEU		Switzerland		Spain		panEU		Norway		panEU <small>inc Nordic</small>		Ireland		Nordic				
FESE rank by number of trades	1	2	3	4	5	6	7	8	9	10	11	15	18	21																			
FESE rank by value traded	2	1	5	3	6	8	9	7	4	11	10	15	18	19																			
FESE orderbook EURK/trade	8	8	6	12	9	10	6	15	28	5	10	4	7	7																			
Trading [Settlement_CSDL]	LSE [Euroclear]	NYSE Euronext [Euroclear]	Chi-X MTF	Deutsche Börse [Clearstream]	Borsa Italiana [Monte Titoli]	NASDAQ OMX Nordic <small>[NPEuroclear]</small>	Turquoise MTF <small>[now LSE JV]</small>	SIX Swiss Exchange [SIS]	BME [Iberclear]	BATS Europe MTF	Oslo Børs building CCP Q110[VPS]	NASDAQ OMX Europe MTF <small>ends 21 May</small>	Irish Stock Exchange [Euroclear]	Burgundy MTF	NYFIX Euro Millennium <small>[now NYSE Euronext]</small>	Swiss Block	Liquidnet	NYSE Euronext JV SmartPool	PLUS Markets PLUS-pool	NX <small>Nomura/Lehman</small>	Pipeline	Omgeo DTCC & ThomsonReuters JV	NYSE Euronext JV SecFinex	NYSE Euronext Arca EU MTF <small>ex Fr Be Ne Po</small>	Equiduct Börse Berlin	Quote MTF	TOM BV <small>50:50 JV Binc Bank N.V + Optiver</small>	OTC Client matching	Securities Lending	panEU	panEU	panEU	panEU

Multi-market CCPs

CCP	UK	Fr	Be	Ne	Po	Germany	Italy	Nordic	panEU	Switzerland	Spain	panEU	Norway	panEU	Ireland	Nordic
CC&G	tbc						live									
EMCF			live					live		tbc		*live	live		live	
Eurex Clearing						live										
EuroCCP							Q310	live		Q310						live
LCH.Clearnet Ltd	live		Q310					Q310	live			*	tbc		live	
LCH.Clearnet SA		live														live
Oslo Clearing													Q210			
SIX x-clear	live	tbc	Q310	Q410			Q310	Q310	live		*Q310				Q310	live

* BATS Europe: LCH only UK & Swiss names Q409 on BATS; EMCF and x-clear cover all panEU names.
 ** Equiduct: LCH only UK; Clearnet=French Dutch Belgian Portuguese; x-clear German + Swiss names on Equiduct.
 ^ Smartpool: Clearnet=French Dutch Belgian Portuguese; EuroCCP=Austria, Denmark, Finland, Germany, Ireland, Italy, Norway, Sweden, Switzerland and UK live on SmartPool.
 # SecFinex: Clearnet=French Dutch Belgian Portuguese: live; EuroCCP only UK & x-clear=Austria, Denmark, Finland, Germany, Norway, Sweden and Switzerland Q409 on SecFinex.
 Source: AFME, CCPs, Exchanges, FESE, MTFs, SecFinex, public reports. Regulators support interoperability: timings are subject to approval of revised interoperability submissions by CCPs.



...for the first time, international users can consolidate clearing across markets with a choice of CCP that has best affinity with a user's commercial profile without imposing switching costs on those domestic members that wish to remain with the incumbent

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