

The prospects for capital markets
in Southeast Europe

organised by

Bulgarian Stock Exchange

Towards Efficient Global Markets

Sofia, 16 September 2008

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Content

- **De-Regulation Trading at the trading level: the impact of MiFID on Europe's trading landscape**
- **De-Regulation Post-Trading: the European Code of Conduct on clearing and settlement of securities**
- **What's Next? New markets trends including the impact of IT, coming regulation and global consolidation**

Improving Efficiency – Trading MiFID

Key Concepts

- **Single passport for investment firms (including one set of conduct of business rules, capital adequacy rules, rules for reporting to clients, client order handling rules, and a new regime of best execution)**
- **New client classification system**
- **Market operator and RM/MTF rules**
- **Level playing field for three types of execution venues (including transparency/reporting rules)**
- **Execution only**

MiFID is delivering its promises

- **There is strong Competition in the market place which is reducing prices and overall costs**
- **All players are improving their services or offering new services including new trade reporting venues, dark liquidity pools of liquidity and efficient order routing**
- **Traders can access trading and post-trading services across Europe's main blue chips at reasonable prices**

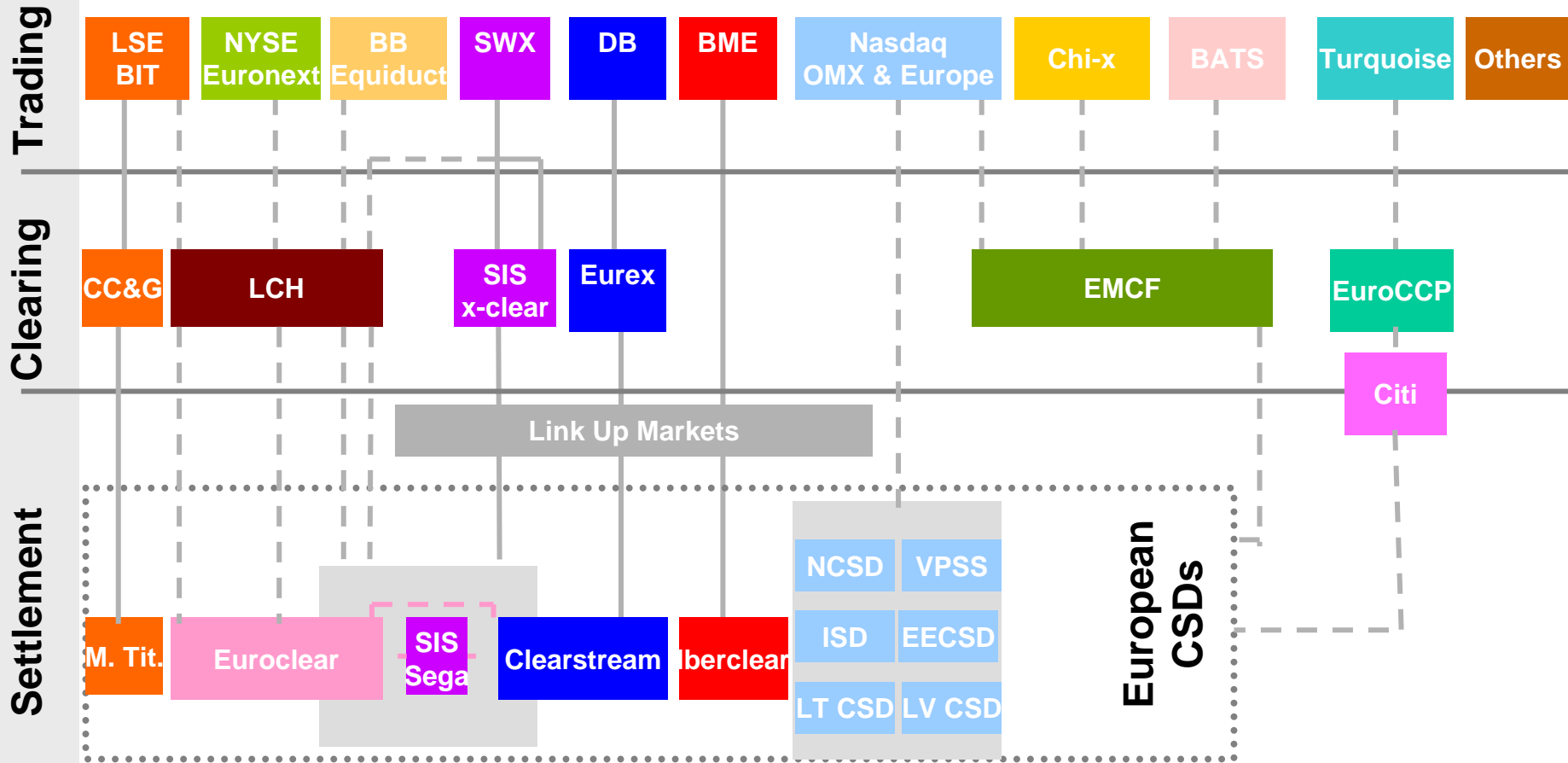
MiFID also has some unexpected outcomes:

- There are less internalisers than was generally expected
- There is some confusion in trade reporting and post trade transparency may have suffered in a number of markets
- An MTF is not a single breed; there are many different venues, offering different services to investors
- Regulated Markets have responded by launching their own MTF platforms which will eventually compete with Regulated Markets
- Competition has increased fragmentation of liquidity in Europe and decreased transparency
- There are doubts about the effective and efficient implementation of the Best Execution provisions

European equity landscape is changing..New venues

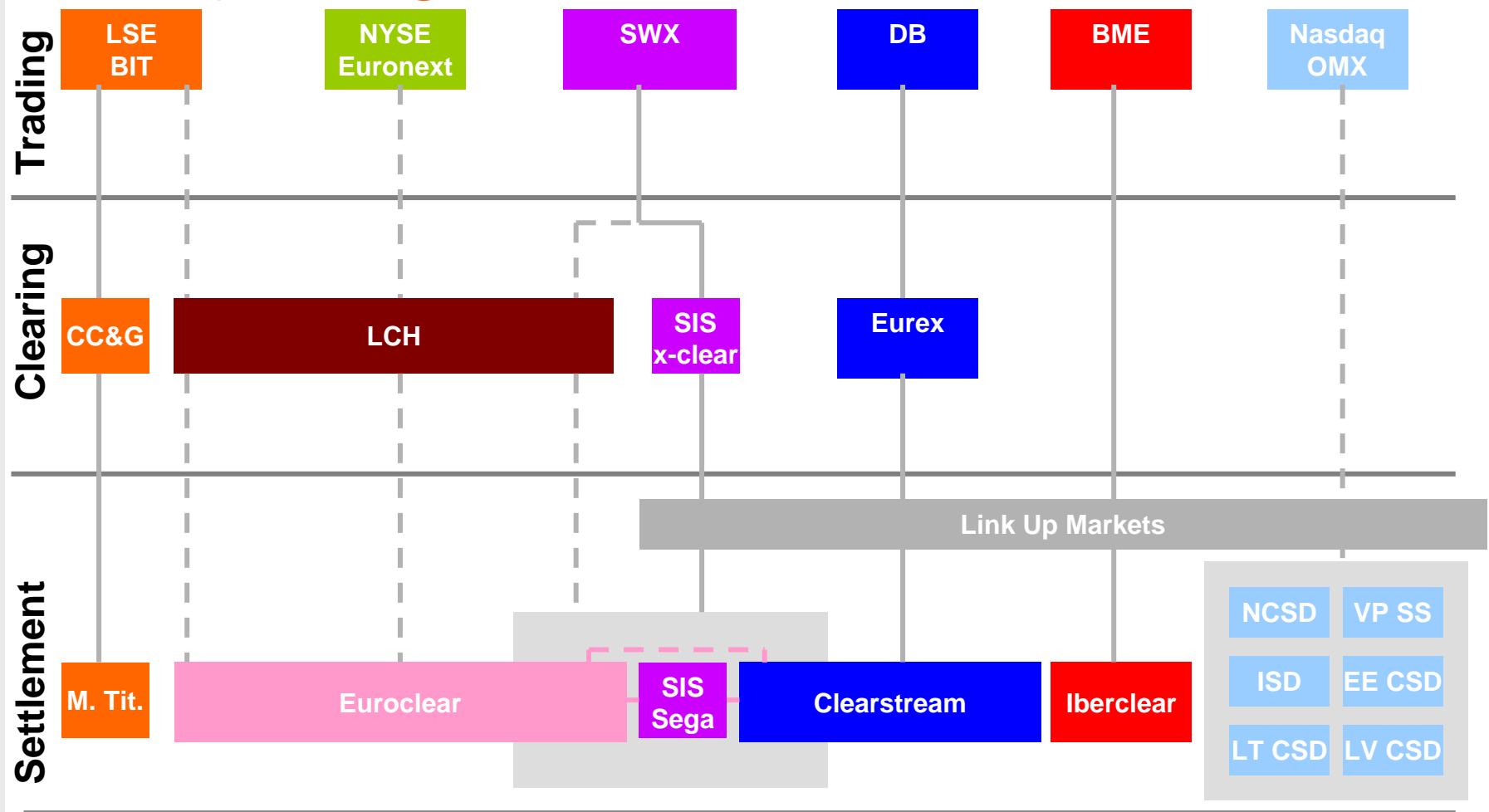
Trading Platform		Type	Owner
Baikal	Dark Pool	MTF	LSE (and Lehman Brothers)
BATS Europe	Hybrid	MTF	BATS
Equiduct	Light Pool	RM	Borse Berlin
Burgundy	Light Pool	MTF	Nordic Banks
Chi-x	Light Pool	MTF	Nomura & others
Direct Edge		MTF	ISE Exchange
Investment Technology Group		MTF	
Liquidnet Europe	Dark Pool	MTF	Liquidnet
Nasdaq OMX Europe	Dark Pool	MTF	Nasdaq OMX
Nyfix Euro Millenium	Dark Pool	MTF	Nyfix
Octopus	Dark Pool	MTF	NYSE-Euronext
PEX		MTF	Portugese
Plus Markets		RM	
Smartpool	Dark Pool	MTF	NYSE Euronext, HSBC and BNP Paribas
SWX Block Trading	Dark Pool	MTF	SWX
Turquoise	Hybrid	MTF	Investment Banks

European equity landscape is changing ... (Major Regulated Markets and new venues)



And there are more to come!

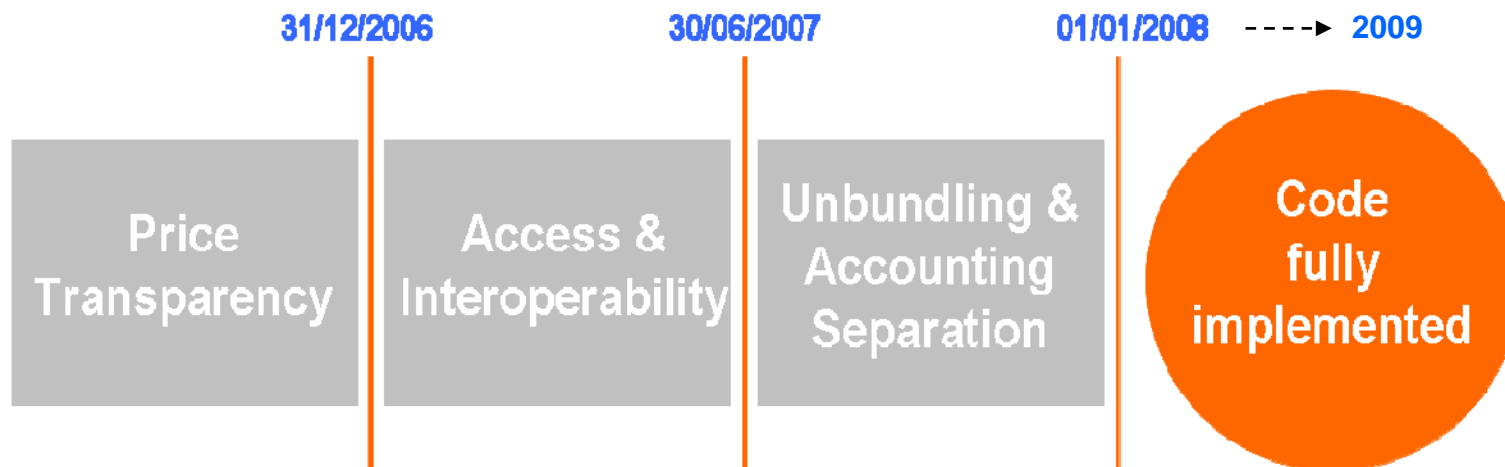
European equity landscape is changing ...(Major Regulated Markets)



Markets are evolving...

Improving Efficiency – Post-trading The Code of Conduct

Code of conduct implementation timeline



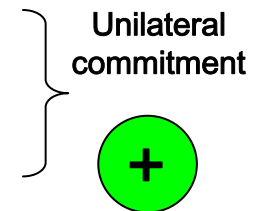
Access and Interoperability Guideline
Defines the Principles and Conditions
for Access and Interoperability in line
with the Code.
More than 80 access and
interoperability requests to date.

Improving Efficiency – Post-trading

What has worked in the Code?

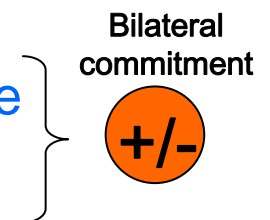
On price transparency and unbundling: **Positive results**

- On **prices**: transparency has improved remains difficult (can we do more to standardise price information?)
- On **unbundling and accounting separation**: good progress in 2008 - comparability



On access and interoperability: **Mixed results**

- Many requests but few concrete results. How can we 'walk the talk'?
- More fundamentally, Europe needs to think harder about the concept of competitive clearing especially in a non-harmonised area. How far will CCPs be allowed to compete?
- Is interoperability still the way forward? or are there any other alternatives (i.e. consolidation)



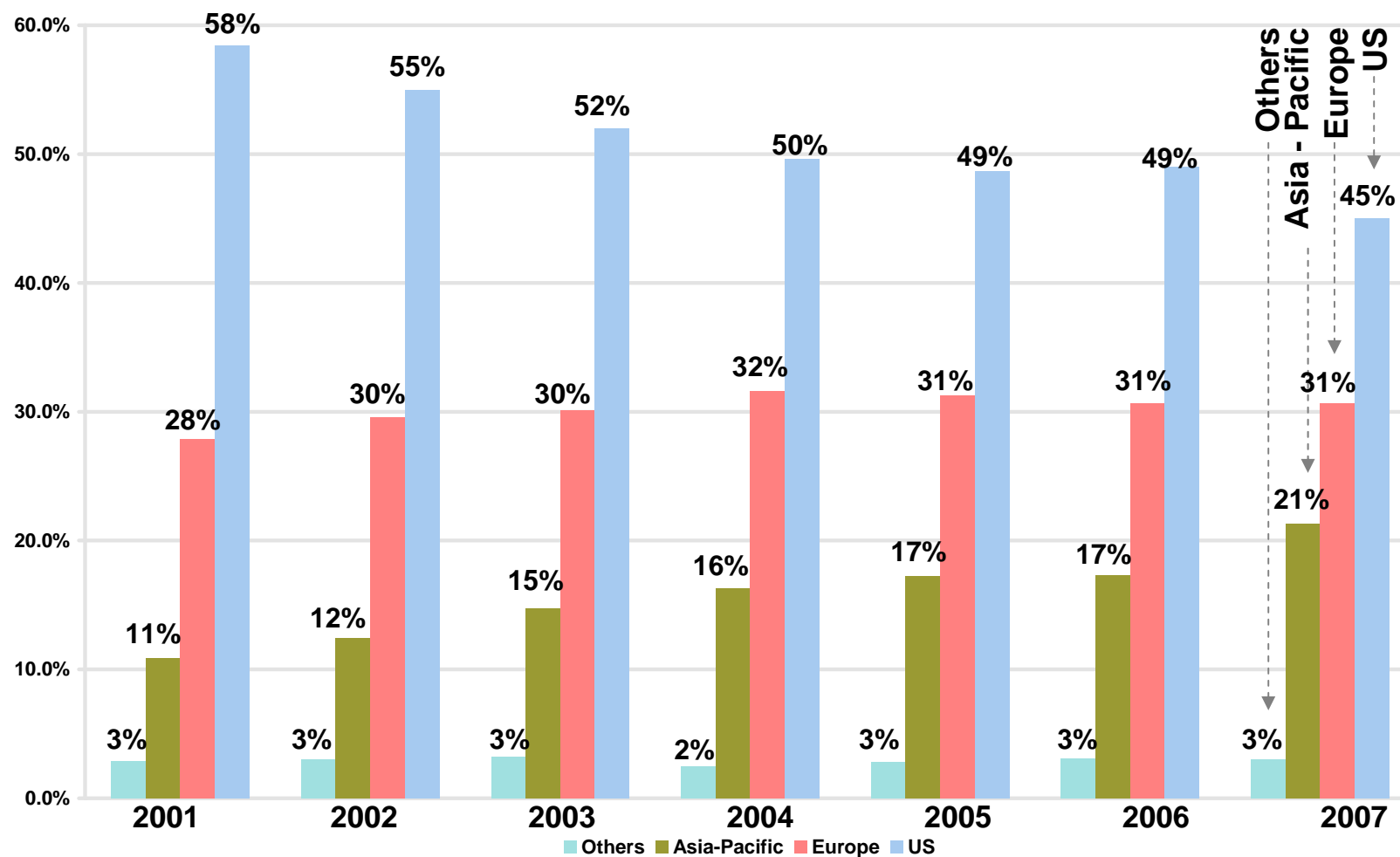
So what's next?

- Increased electronic trading (algo trading, direct market access, etc.)
- Breakdown of barriers between buy and sell side
- Increased competition between broker dealers and exchanges
- Blurring of lines between banks and infrastructures
- Evolution of the European Clearing and Settlement industry will continue driven by MiFID, the Code of Conduct, T2S

Europe in the global financial markets

- **The mergers of NYSE-Euronext, DBAG-ISE and NASDAQ-OMX will trigger global capital market integration**
- **The world of trading is becoming a truly global place**
- **Europe is an attractive financial centre with an increasingly global dimension...**

Europe in the global financial markets



* See FESE Statistics Methodology for technical details on www.fese.eu.
Source: FESE & WFE. Total turnover of Regulated Markets.

Benefits that greater integration would bring are clear:

- **Price reductions**
- **Increased investment opportunities for both EU and US investors**
- **Increased access to capital markets for issuers on both sides of the Atlantic**
- **Cross-fertilisation of market infrastructures**

There are also some unknowns

- **Regulators and supervisors are accountable nationally; will they be able to supervise and enforce at the global level? Will investor protection suffer?**
- **What about fair market access? Do we need to agree on common safety standards?**
- **How will the courts react? Could there be a legal spill-over effect (i.e. US style litigation in EU jurisdictions)?**