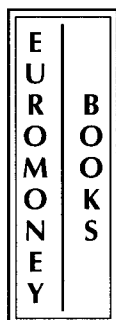


World of Exchanges

Adapting to a New Environment

Edited by
Shahin Shojai



Contents

	Foreword by Andrew Hilton		xi
	Author biographies	<i>V u o v</i>	xiii
1	Exchanges: current challenges and future implications		1
	<i>Shahin Shojai, Capco</i>		
	Introduction		1
	Contributions of this book		15
	Conclusion		22
	Part I – Transformation of the industry		25
2	Cross-border mergers and alliances between exchanges: a global perspective		27
	<i>Iftekhar Hasan, Rensselaer Polytechnic Institute,</i>		
	<i>Tina Hasenpusch, European Business School and</i>		
	<i>Heiko Schmiedel, European Central Bank</i>		
	Introduction		27
	Networks, cross-border mergers and partnerships among exchanges		28
	Data and variables		30
	Evidence on cross-border mergers and alliances		32
	Future trends, options and implications for securities market infrastructures		36
	Conclusions		38
	References		39
	Annex		41
3	Electronic trading: rival or replacement for traditional floor-based exchanges?		42
	<i>Wayne H. Wagner, ITG Solutions Network and</i>		
	<i>OM/NI</i>		
	Introduction		42
	Competition on commissions, then on spreads		44
	The exchange as a process		46
	Balancing varied interests		47

	What can electronics bring?	48
	'Colour'	52
	Governance	54
	Proliferation of alternatives	55
	Information-central	56
4	The outlook for global derivatives market competition <i>Jens Nystedt, Deutsche Bank</i>	59
	Introduction	59
	Recent trends in exchange-traded derivatives markets	62
	Academic literature on derivatives market competition	66
	Competition between exchange-traded derivatives exchanges	68
	The relationship between ODE and OTC derivatives markets	74
	Recent trends in the OTC market	74
	The regulatory environment for OTC derivatives	75
	Competition and cooperation between ODE and OTC markets	77
	Conclusions and outlook	78
	References	81
5	Electronic markets heat up; micro-exchanges arrive <i>Eric Benhamou, Pricing Partners, Michel Everaert, GFI Group and Thomas Serval, Baracoda</i>	83
	Introduction	83
	The internet bubble	84
	The future of trading technology	85
	A new player in electronic markets: micro-exchanges	89
	Conclusion	92
	References	93
	Part II – Challenges confronting exchanges	95
6	Market integration in the post-trade industry: lessons from Europe <i>Daniela Russo and Simonetta Rosati, European Central Bank</i>	97
	Introduction	97
	Functions and players in the securities market infrastructure	99
	Addressing risks in the securities post-trade industry	103
	The European landscape and its challenges	107
	Conclusions	119
	References	121

7	US securities regulation in a world of global exchanges <i>Reena Aggarwal, Georgetown University, Allen Ferrell, Harvard Law School and Jonathan Katz, formerly of US Securities and Exchange Commission</i>	123
	Introduction	123
	The competitive environment	126
	Governance of exchanges	128
	Regulation of global exchanges: the pending NYSE-Euronext merger	132
	Conclusions	136
8	MiFID and its effect on exchanges <i>Simon Bennett, Capco</i>	140
	Introduction: genesis and background	140
	What is MiFID?	142
	MiFID impacts	148
	Responses – the exchange perspective	155
	Conclusions	157