

# EUROPE

## Past, Present and Future

FIXGlobal puts forth some questions to Matteo Cassina of Citadel Execution Services on the changes in the European arena.

*MATTEO CASSINA, President, Citadel Execution Services Europe*

**What are your views on the regulatory changes that have taken place over the past couple of years?**

We have seen significant change in the equities markets in Europe over the past two to three years. This change can be attributed both to regulatory developments through the introduction of MiFID and changes that were already occurring in the marketplace, such as the increased awareness and usage of electronic trading systems. The regulatory changes have had a broadly positive impact, including increased competition and reduced execution costs, however there have been other, less desirable impacts that are limiting the benefits and effectiveness of these changes. For example, an increase in the fragmentation of trade transparency data has made price discovery and the consolidation of data more problematic. Also investors are not always gaining the full benefits of the new trading venues open to them, as brokers are not always connected to the

venues where the best price with the lowest trading fees may be. We are still in the relatively early stages of the post-MiFID transition and there has been an unprecedented period of market volatility in the recent past. We anticipate that there will be further changes in the market as participants continue to react and adapt to the market conditions and the needs of investors. It is a constant challenge for regulation to keep pace with a fast moving marketplace; a comprehensive and flexible regulatory framework at a European level coupled with focused and consistent implementation through local regulators is vital for the fair and efficient functioning of the European secondary markets.



### **Has increased competition in Europe undermined the transparency of the equities markets?**

Pre- and post trade transparency is a key element of price formation and the efficient functioning of markets. The increased number of trading venues and options available for the publication of firms' trades has made it more difficult and expensive for investment firms and investors to obtain a consolidated view of the market. A solution to this would be better served if it is market-driven than through further regulation due to the likely inefficiency and costs of a mandated fix. It is also fair to state that continued innovation has also introduced a number of new functionalities and players to the marketplace that make today's markets far more efficient than those we had a few years back. It is always easy to forget the positives and focus on the drawbacks of any change, especially as some aggressive new entrants displace the incumbents who are not prepared for such change. This is true for exchanges, brokers, custodians, clearing houses and vendors.

### **With the London Stock Exchange reporting a 9% slide in 3rd quarter revenue due to competition, what do you think about the changing shape of liquidity in Europe from a participant's perspective? Where is it going and to whom is the ultimate benefit?**

The ultimate shape of the equities markets in Europe is relatively difficult to predict. To date we have seen new technology create some real competition to the incumbent exchanges. The low cost of providing such solutions created new challenges to the profitability of existing and new equity participants, due to the margin compression and equal if not lower, volumes. We predict that we will end up with multiple, more efficient solutions and adding

new functionalities to participants at lower costs. Investors will gain the ultimate benefit from all the opportunities brought by market fragmentation and advances in technology, assuming brokers can access all meaningful European sources of liquidity.

### **Where are the European MTFs headed? What is their future?**

European MTFs entered the market with low- latency technology and relatively low-cost platforms coupled with aggressive pricing policies. Since their entry into the market, as a whole they have continued to gain market share from the incumbent exchanges and we have seen trading fees fall as these exchanges have reacted to this competition. The landscape will no doubt continue to develop as European MTFs continue to make in-roads with the incumbent exchanges as brokers and clients become more sophisticated in locating meaningful liquidity. We are seeing both consolidation and innovation in the market, such as the London Stock Exchange's acquisition of Turquoise and further development of liquidity aggregation and order-routing services.

### **What is your and your clients' wish list for 2010? What do you see being the crucial developments in the EMEA electronic trading arena in 2010?**

We would like to see retail customers taking advantage of trading at lower commissions and achieving execution at a tighter spread than the one offered on the primary market. We envisage further developments in moving towards a consolidated European Tape and also greater inter-operability between central counterparties.

**Any thoughts about this or other articles?**

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