

# Prospects for European MTFs

In light of recent changes in the European MTF space, FIXGlobal speaks to Hans-Ole Jochumsen of NASDAQ OMX on European MTFs in general and NASDAQ OMX in particular.



**Hans-Ole Jochumsen**, EVP NASDAQ OMX and President NASDAQ OMX Nordics

**Have the MTFs in Europe enjoyed the kind of success experienced by the ATSs in the US? If not, why?**

The proliferation of Multilateral Trading Facilities (MTF) in Europe came as a result of the abolition of the concentration rules brought in by the EU Markets in Financial Instruments Directive (MiFID), which came into force in November 2007. MTF volumes in Europe have developed very fast and less than three years later, the MTFs stand for more than 25% of the European equities trading. MiFID has been successful in bringing about intense competition for trading volumes, but we still have a way to go in creating a level playing field among trading venues in ensuring adequate levels of transparency for the benefit of the investors. Another interesting issue is that competition in the European marketplace means that most MTFs are struggling to make money, creating uncertainty over how long many of them can survive.

**Looking forward, how do you see the changing exchange landscape in Europe?**

Competition is here to stay and it will increase to cover not only equities but also other asset classes. One key issue that Europe has to solve is in the post-trade area; the cross-border

interoperability among clearinghouses. The cost for exchange trading has gone down dramatically, but the total cost for trading including the cost for clearing and settlement has not followed suit. I believe that when we reach full interoperability among clearing houses, that's when we will witness a lower total cost of trading which will bring higher volumes on

**Where are the opportunities for NASDAQ OMX in Europe?**

Europe is a strategic priority for NASDAQ OMX. We offer clients access to trading in securities from all Nordic countries and we will look at expanding this offering in line with customer demands and with a market by market approach. In the latter part of 2009 we welcomed 34

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the European trading venues. We also expect there to be further consolidation in the MTF sector. We believe that going forward the successful model will be that of global exchange organisations such as NASDAQ OMX, who retain dominance in local regions. Our pre-eminence in the Nordic markets is a good example of this trend.

new members looking to trading and clearing of Nordic derivatives and we've been tremendously competitive in this offering. Beside our strong local presence, more than 40% of the trading in Nordic equities comes from global clients based in London. It is also from London that we run the UK Power exchange N2EX, and NASDAQ OMX's goal to build a global

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commodities business is spearheaded from and based on the expertise of our operations in Oslo, Norway, just to mention some of the things NASDAQ OMX does in Europe.

**How do you view the global market structure moving forward, with higher competition for the exchanges and regulatory framework on dark pools and sponsored access?**

Regulators on both sides of the Atlantic are currently assessing what impact the development of alternative trading venues as well as new trading patterns are having on investors. There is no doubt that the market infrastructure will evolve as a response to policymaker concerns. In Europe, it is clear that the EU directive MiFID has increased competition but it has not been successful in bringing OTC trading into a more lit environment, which was one of its purposes. We believe that the reason that the regulated exchanges performed so well during the financial crisis is because they operate under clear time-tested rules and practices that ensure transparency, neutrality, open access and professional market surveillance. We also believe that these features will remain competitive differentiators, along with speed and cost. Competition in the trading sector is a positive development and it is here to stay.

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