



TRADING TECHNOLOGY LTD
32 THREADNEEDLE STREET,
LONDON EC2R 8AY
TEL:020 7253 5220 FAX 020 7689 3309
INFO@TRADINGTECHNOLOGY.COM
WWW.TRADINGTECHNOLOGY.COM

For immediate release,

PRESS RELEASE

Paul Pickup
Trading Technology Ltd.

Tel: 020 7253 5220
paul.pickup@tradingtechnology.com

Technology has become key for exchanges in ensuring their success in an increasingly competitive world. Vast budgets have been spent on technology that has either never been implemented, or has resulted in poor performance. Alternatively those with forward thinking strategies have won market share with the use of technology, such as the International Securities Exchange in the US, and the very real threat of Eurex taking business away from the Chicago Board of Trade on its home turf as CBoT switches to Liffe Connect.

Technology also now forms the bulk of exchanges' costs. Yet, exchanges are adopting very different IT strategies, with the larger, more mature markets often the least sophisticated in their approach.

A new report from consultancy firm **Trading Technology** provides the first catalogue of the systems used by exchanges, clearing houses and depositories around the globe. With additional commentary on best practice and reviews of the solutions available, the report also illustrates the shift from floor-based to electronic markets in most countries – the US markets showing a slower pace of change than many might expect.

The report – *A Strategic Study of Stock Exchange Technology* – finds, however, that floor-based exchanges are often greater users of technology than those that run electronic markets. “The Chicago Board Options Exchange has more computer screens under one roof than any other building in the world,” Paul Pickup, of Trading Technology points out. Such a strategy, however, adds to overheads as exchanges have to fund the floor, with the real estate and staffing costs that accompany it, as well as the technology.

Trading Technology has devised a model on the diversification of exchanges to illustrate the steps exchanges can take to enhance revenues. “As exchanges have moved away from being membership-led organisations and have entered into the for-profit world, they have found that the price of freedom is the need to make money and diversify,” says Pickup. “Technology has been key here. Many exchanges have not viewed IT as important, whereas others have invested heavily. Like all investments, caution pays.”

Trading Technology's 'exchanges diversification model' is based on the observation of the revenues collected by exchanges. Trading Technology argues that an exchange can diversify in three dimensions:

- Listing products
- Products and services to its members
- Products and services to other exchanges

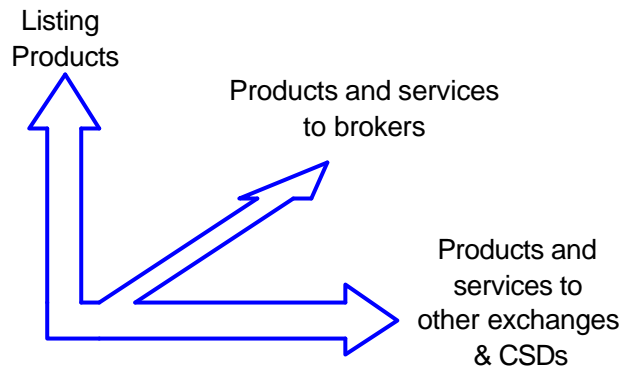


Figure 1: Trading Technology's exchange diversification model

The report also shows the market share held by various solutions providers, including Computershare, OM, Atos-Euronext and Elind, and considers the benefits of buying off-the-shelf against those of developing in-house.

The report is also very critical of European consolidation, arguing that the process of merging exchanges and clearing houses is ultimately too slow, fraught with legal difficulties and is likely to result in fewer, larger organisations, whose pricing policies are already being questioned. The lack of a workable European solution is favouring the larger global brokers to charge considerable transaction fees and is not providing a good role model for the ascendant EU countries.

A *Strategic Survey of Stock Exchange Technology* is published in association with FOW. For more information on the report please contact Laura Bowyer: lbowyer@fow.com.

Background to Trading Technology Ltd

Trading Technology is a specialist consultancy in technology issues for central markets. Trading Technology Ltd works equally for the broker community and those serving them. Trading Technology's main offerings are

- Project management for system implementations
- Business analysis, requirements definitions for solution provision
- IT marketing and strategy advice

For further details of Trading Technology's services see www.tradingtechnology.com

Or contact:

Robert Barton, Analyst
robert.barton@tradingtechnology.com

Paul Pickup, Director.
paul.pickup@tradingtechnology.com
 Tel: 020 7253 5220