

ISEEE Sarasota Summit

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The Historical and Future Evolution
of Exchange Markets

Historical Evolution

- Pre-1934: Stock exchanges are unincorporated associations of stock brokers and dealers with fixed minimum commissions and rules intended to insure fair and orderly markets.
- Post-1934: Federal regulation stresses investor protection and fair competition among markets and market participants.
- 1970's: Exchanges become corporations: Fixed commissions eliminated; Exchange boards expanded to include balanced member/public representation; Consolidated quote and trade reporting (sale of market data); Prior SEC approval required for changes to exchange rules; ITS created; automated trading begins; exchange trading of stock options introduced; financial futures introduced on CME.

Historical Evolution

- 1980s: Proprietary trading systems
- 1993: ETFs introduced on American Stock Exchange.
- 1998: SEC adopts Reg ATS - ECNs become part of the U.S. marketplace
- 2000: Decimalization
- 2005: SEC adopts Reg NMS

Historical evolution

- Demutualization: 1993: Stockholm (OM Group): 2006: NYSE (Archipelago)
- 2006: Nasdaq becomes an exchange
- Mergers: 2007: NYSE+Euronext; LSE+Borsa Italiana; 2013 ICE+NYSE; 2016 LSE+DB?
- Hi-speed trading; Market Data wars
- Flash Crash; Flash Boys; Co-location; IEX