



# **IS** THERE A FUTURE **OF** THE STOCK EXCHANGE BUSINESS **IN** EUROPE ?

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## Overview of global patterns - Europe



Source: Brian Taylor, BTA consulting, WEC March 2016, London

- Average 20% loss in volumes, mostly 20-40%, due to MIFID competition, financial crisis and switch to substitutes (FX, real estate...)
- Only WSE gained - withstood the financial crisis (30% gain)



## Overview of global patterns - Asia



Source: Brian Taylor, BTA consulting, WEC March 2016, London

- Average 200+ % growth
- National Capital Markets Strategies create growth by coordinating all stakeholders
- Asian markets mandate monopoly structures of trading venues to drive economic development



# Europe vs. Asia – different (re)actions at Capital Market

- **Europe:** MIFID regulation: new competing trading venues; upgrade of requirements and downgrade of liquidity at stock exchanges:
  - loosing connection with real economy,
  - it is about **trading**.
- **Asia:** National Capital Markets Strategies; coordination of all national stakeholders:
  - creating connections with real economy,
  - it is about **financing**.
- Differentiation confirms syntagm:  
**There are** developed Exchanges in undeveloped economies, but **there are no** developed economies with no developed Exchanges!

# Capital Market come-back in the growing economy equation

## Why? – Because:

- There are no developed economies with no developed Exchanges! (repeated)
- There are no developed Exchanges with no connection with real economy, e.g. IPOs !
- Of proven linear function: Equity MCap (measured to GDP) vs. GDP growth rate<sup>1</sup>
- Underdeveloped CMs leads to below-average GDP growth rates.

## How? - Asian approach:

- Pro-market Government Policies
- Pro-Capital Market Strategy
- Installment of IPO Ice-(Re)Breaker
- Investor Protection, Market Integrity, Anti-Corruption measures, Standards

<sup>1</sup> CAPITAL MARKETS AND ECONOMIC GROWTH: LONG - TERM TRENDS AND POLICY CHALLENGES - CHRISTOPH KASERER AND MARC STEFFEN RAPP, 2014.



# Any Homework done? Capital Market Union?

Key CMU Action Plan principles:

- **Creating more opportunities for investors: help mobilize capital and channel it to companies**, including SMEs, and infrastructure projects that need it to expand and create jobs.
- **Connecting financing to the real economy** that has a lot to gain from channeling capital and investment into their projects.
- Fostering a **stronger and more resilient financial system: Opening up a wider range of funding sources and more long-term investment**, ensuring that citizens and companies are no longer as vulnerable to financial shocks as they were during the crisis.
- Deepening financial integration and increasing competition: should lead to more cross-border risk-sharing and more liquid markets which will deepen financial integration, lower costs and increase competitiveness



## SEE Link Context - current picture

### Currently:

- Order routing system within the regional Exchanges in the Balkans
- To make markets more accessible for foreign investors
- To establish new channels for easier cross-border investments
- Has a potential to make path for further regional harmonizations (both, pre-trade and post-trade)



# SEE Link as a front runner of regional CM union - potential picture?

## What are CMU Project documents saying on CEE and SEE markets?

- Highly fragmented,
- Dominated by banking sector,
- Shallow capital market when compared with Western Europe,
- Economies developments highly dependant on loans.

## SEE Link Potential:

- Anchor for set of pro-Capital Market national (non-unified) strategies,
- Subsequently, pool of " Capital Market – Real Economy" connections,
- Only ultimately, flourishing order-routing effects.





**(Optimistic)**  
**Comments & Questions**  
**?**

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