

The End of History and the Last Exchange

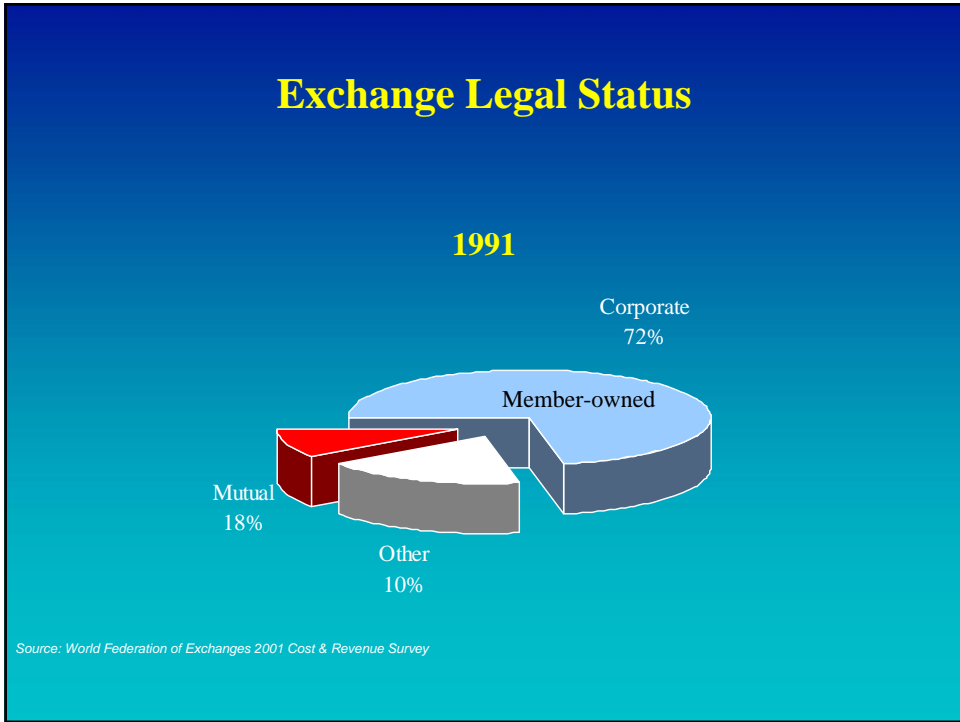
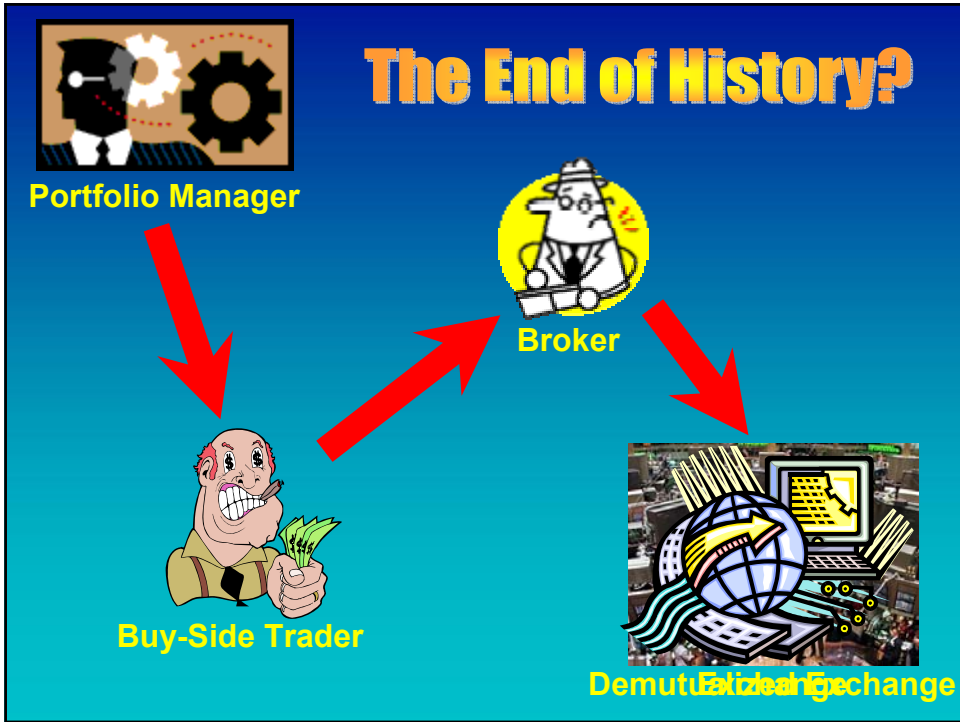
Benn Steil
Council on Foreign Relations

E-Finance Lab Conference
Frankfurt

25 September 2007

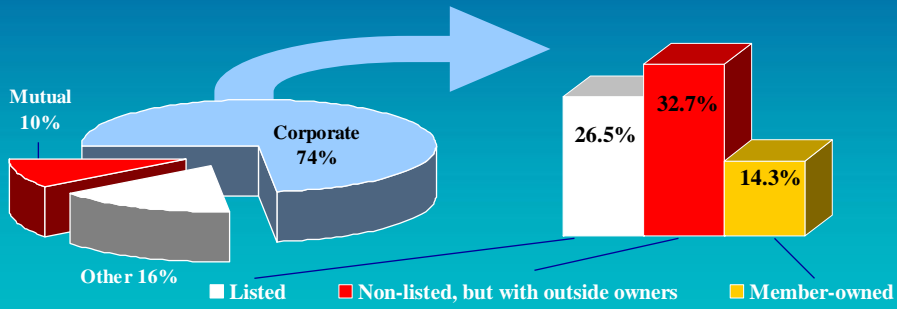
Signs of the End of History

- Automated limit order books
- Multi-asset exchanges
- Demutualization
- Denationalization
- Regulatory convergence. Even SEC plays nice with foreigners.



Exchange Legal Status

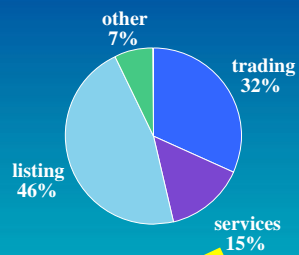
2005



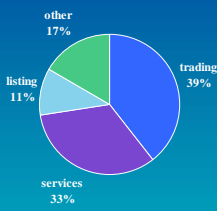
Source: World Federation of Exchanges 2005 Cost & Revenue Survey

Exchange Revenue Sources by Legal Status

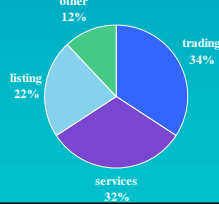
mutuals and state-owned



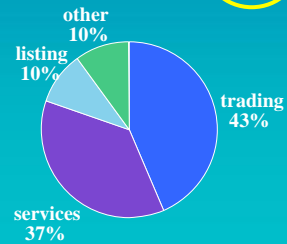
non-listed demutuals



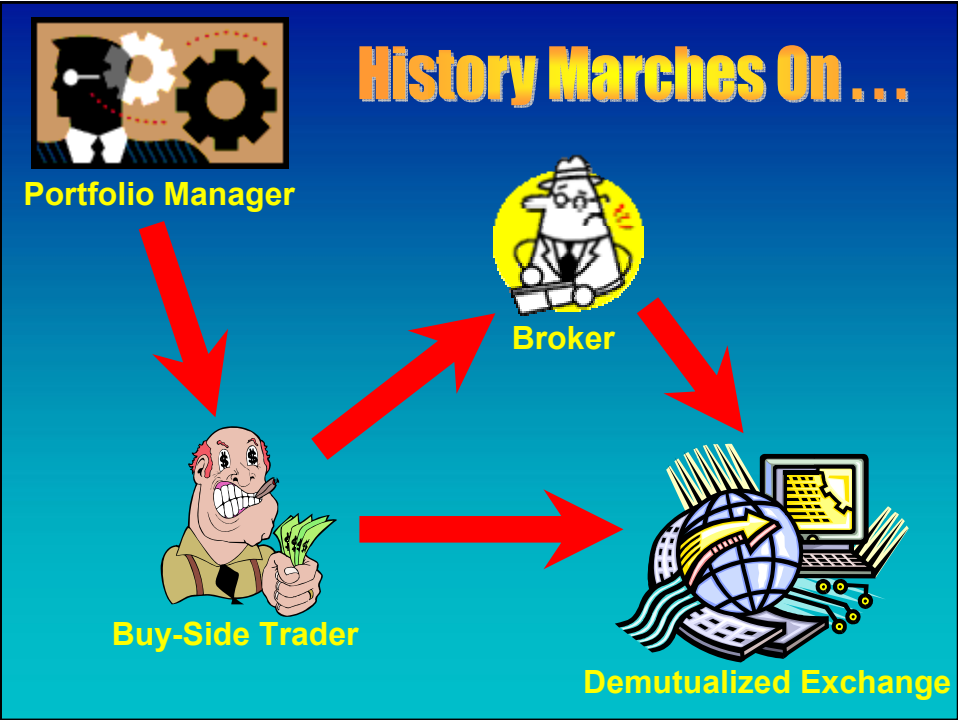
incorporated mutuals

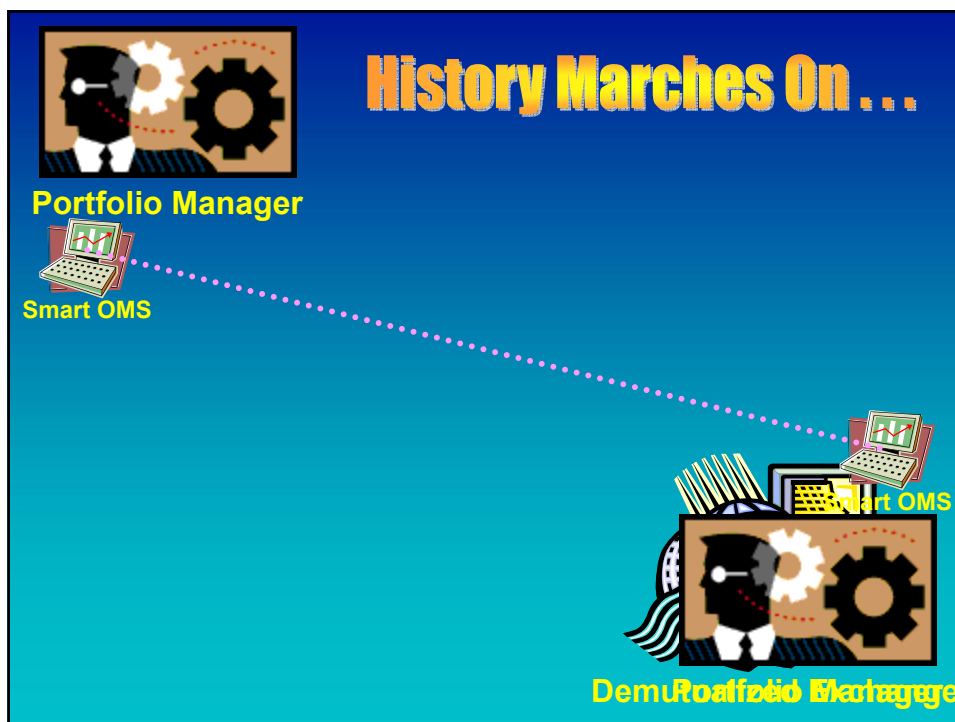


listed exchanges



Source: WFE Cost and Revenue Survey





The Problem with CLOBs

Must “display to play”
= pre-trade transparency

- encourages order-splicing
- reduces validity of trade prices

Market Solutions to CLOB Limitations

- Execution-risk transfer: dealers
- Size discovery: electronic block trading

