Deutsche Bank
Global Markets Equity

Global Market Structure:
EMEA Newsletter

Passion to Perform

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Welcome to the EMEA Market Structure Monthly Newsletter, which provides news and analysis on trading venues and volumes.

For further information on any of the issues discussed in this newsletter, please contact the Global Market Structure team:

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European Liquidity

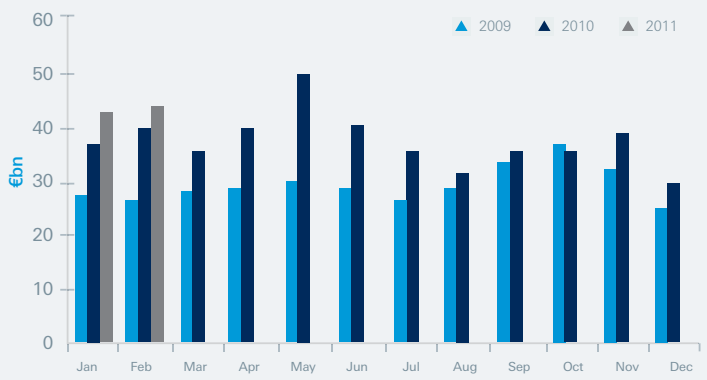
On exchange turnover increased again slightly during Feb 2011, averaging €43.0bn per day. Previous data suggests that these levels will be maintained as we move in to the Spring.

Fig 1 shows European market monthly average daily value (ADV) for 2011 compared to 2010 and 2009.

Fig 2 shows European market monthly ADV broken down by lit, non-displayed and OTC turnover. Fig 3 breaks this data down further by RM and MTF type flow.

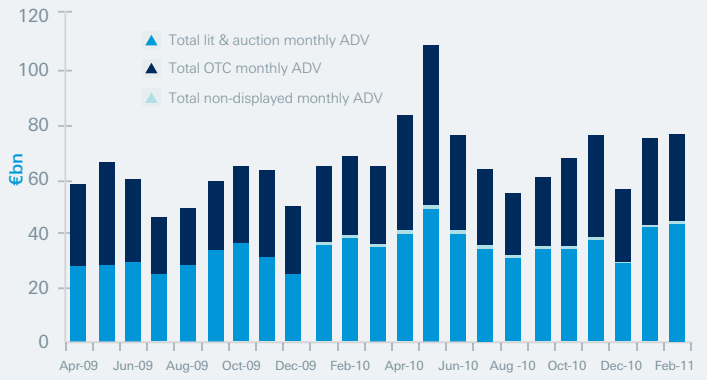
- Total European market monthly ADV (lit, non-displayed and OTC) was €73.5bn during Feb 2011 (↓-0.3% vs. Jan 2011)
- Lit monthly ADV was €41.9bn (↑1.8% vs Jan 2011)
- Non-displayed monthly ADV was €1.1bn (↑3.5% vs. Jan 2011)
- OTC monthly ADV was €30.5bn (↓-3.2% vs. Jan 2011)
- RM lit ADV increased by 2.1% during Feb 2011 to €31.1bn, MTF lit ADV increased by 1.0% to €10.8bn.

Fig 1: European market monthly ADV
(lit, auction, non-displayed order type)



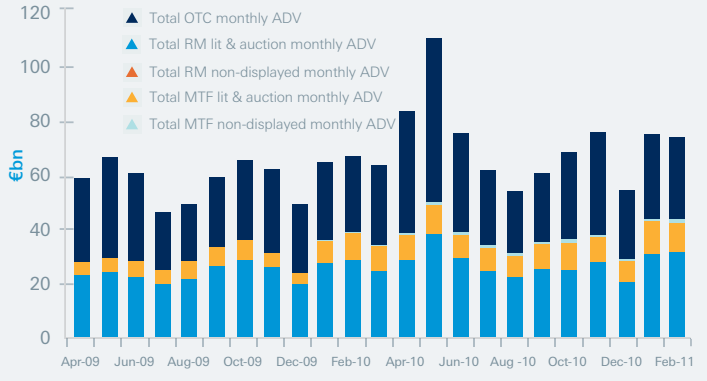
Source: Thomson Reuters, Mar 2011

Fig 2: European market monthly ADV
(lit, auction, non-displayed & OTC order type)



Source: Thomson Reuters, Mar 2011

Fig 3: European market monthly ADV
(RM & MTF - lit, auction, non-displayed & OTC order type)

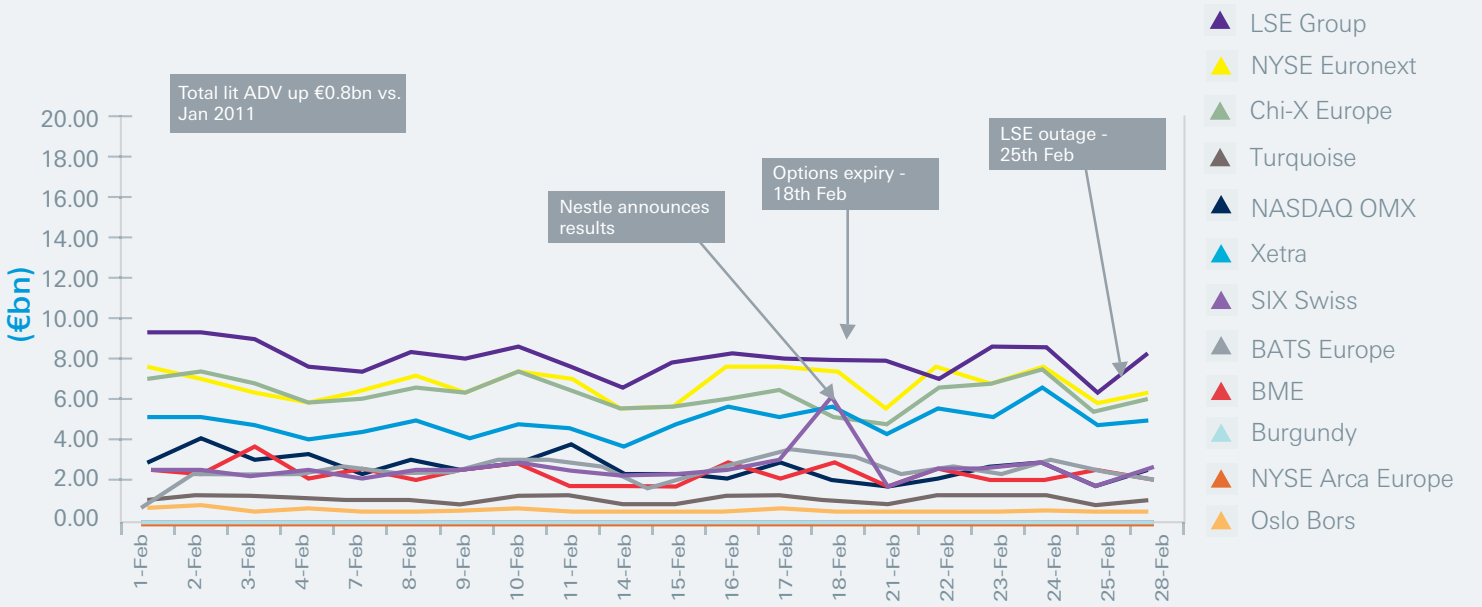


Source: Thomson Reuters, Mar 2011

European Liquidity – continued

The chart below shows total lit daily turnover (including auction) on European trading venues for Feb 2011.

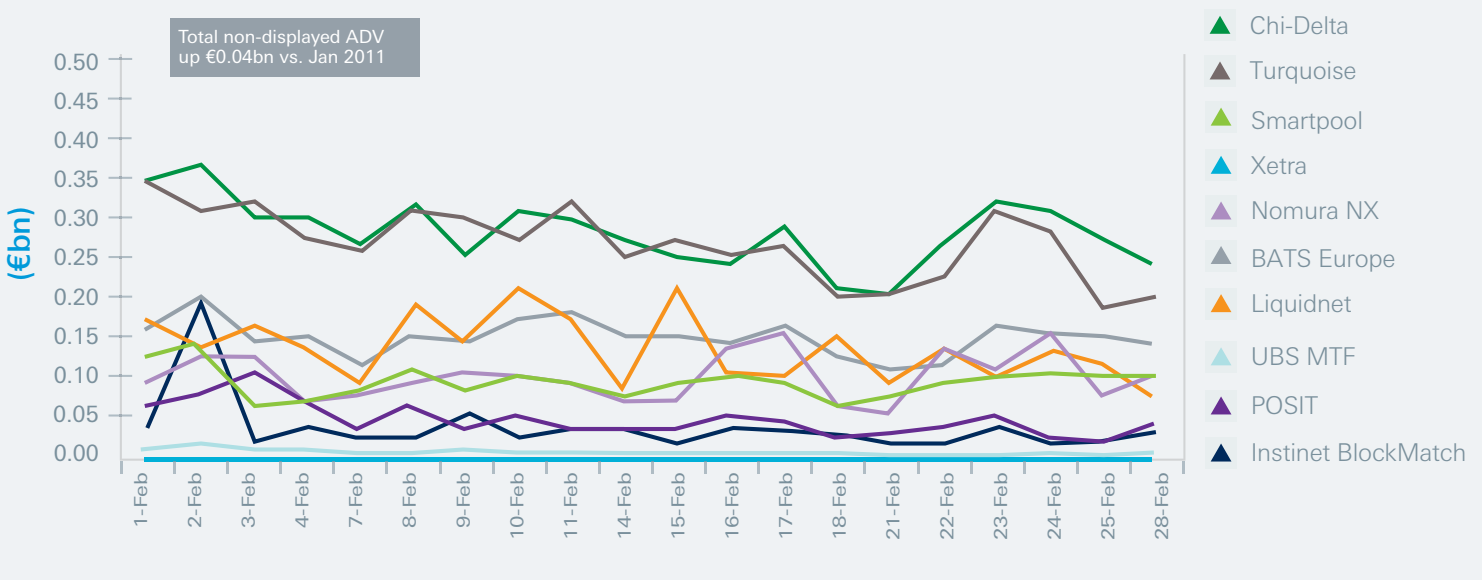
Fig 4: European trading venue lit daily turnover (including auction) - Feb 2011



Source: Thomson Reuters, Mar 2011

The chart below shows total non-displayed daily turnover on European trading venues for Feb 2011.

Fig 5: European trading venue non-displayed daily turnover - Feb 2011



Source: Thomson Reuters, Mar 2011

European Liquidity - continued

Figs 6-9 below show the % European market share for February 2011 for lit (including auction) and non-displayed turnover. Arrows on the adjacent data tables show whether each venue's market share has increased or decreased vs. the preceding month together with the corresponding % point change.

Fig 6: European lit market share - Feb 2011

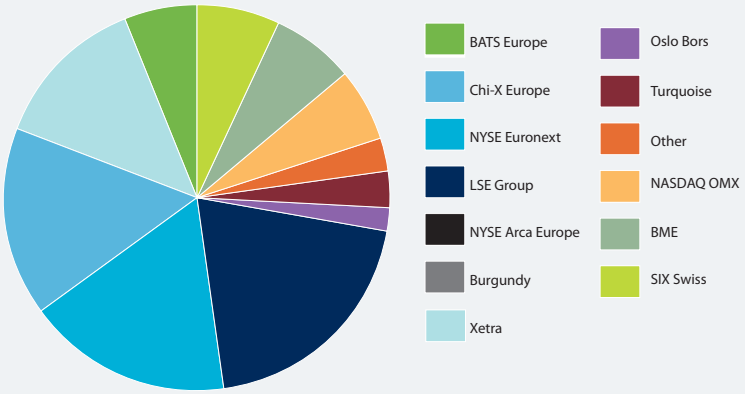


Fig 7: European lit market share - Feb 2011

Venue	Total	Month-on-month % point difference
LSE Group	19.90%	-0.11% ▼
NYSE Euronext	16.83%	0.00% ▲
CHI-X	15.83%	-0.01% ▼
Xetra	12.51%	-0.63% ▼
NASDAQ OMX	7.13%	-0.70% ▼
SIX Swiss	6.98%	0.28% ▲
BME	6.37%	-0.63% ▼
BATS	5.61%	1.01% ▲
Turquoise	3.36%	0.39% ▲
Other	3.00%	0.38% ▲
Oslo	2.05%	0.03% ▲
Burgundy	0.33%	0.00% ▲
NYSE Arca	0.10%	0.03% ▲

Source: Thomson Reuters, Mar 2011

Fig 8: European non-displayed market share - Feb 2011

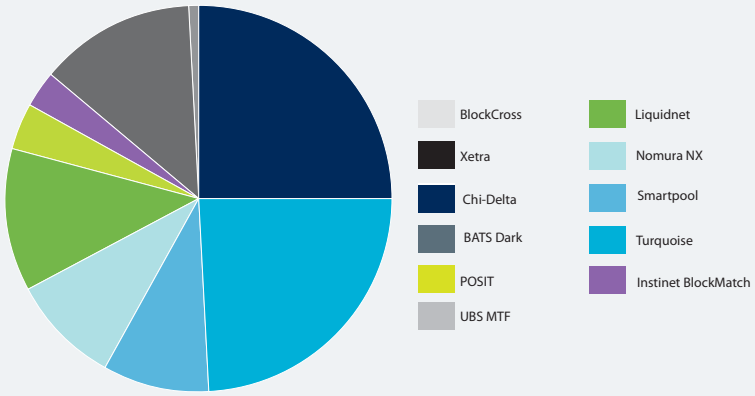


Fig 9: European non-displayed market share - Feb 2011

Venue	Total	Month-on-month % point difference
CHI-Delta	24.92%	-3.11% ▼
Turquoise	23.70%	2.39% ▲
BATS Dark	13.32%	1.25% ▲
Liquidnet	12.22%	1.15% ▲
Nomura NX	9.02%	-2.00% ▼
Smartpool	8.45%	-0.63% ▼
POSIT	4.26%	-0.09% ▼
Instinet BlockMatch	3.32%	0.94% ▲
UBS MTF	0.65%	0.08% ▲
Xetra	0.07%	-0.01% ▼
BlockCross	0.07%	0.03% ▲

Source: Thomson Reuters, Mar 2011

European Venue News

Trading venue news

Trading venue consolidation

This month has seen unprecedented merger activity amongst trading venues, as key players consolidate in an effort to secure sufficient market share. Following the proliferation of venues in Europe post-MiFID, there has been fierce competition to attract liquidity and this period of consolidation has been expected.

- London Stock Exchange Group and TMX Group
  - All-share merger agreed between London Stock Exchange Group and TMX Group, operator of the Toronto Stock Exchange
  - Requisite approvals required including approval from Canadian provincial and federal authorities due to restrictions preventing an entity owning more than 10% of an exchange
  - Deal will create the largest platform for mining stocks
  - In a separate deal, LSE Group will acquire TMX Group's 19.9% stake in EDX London Limited for £3.9m in preparation for the launch of 'Turquoise Derivatives'
- NYSE Euronext and Deutsche Börse
  - Merger announced between NYSE Euronext and Deutsche Börse
  - Requisite approvals required
  - Deal will create the largest trading venue in the world by revenues and EBITDA
- Chi-X Europe and BATS Europe
  - BATS Global Markets has reached definitive agreement to acquire Chi-X Europe.
  - Requisite approvals required; deal is expected to close Q2 2011
  - Deal will create the largest pan-European trading centre by market share and notional value traded

The below diagram (not to scale) shows how the European trading landscape might look if all the currently proposed alliances are approved:

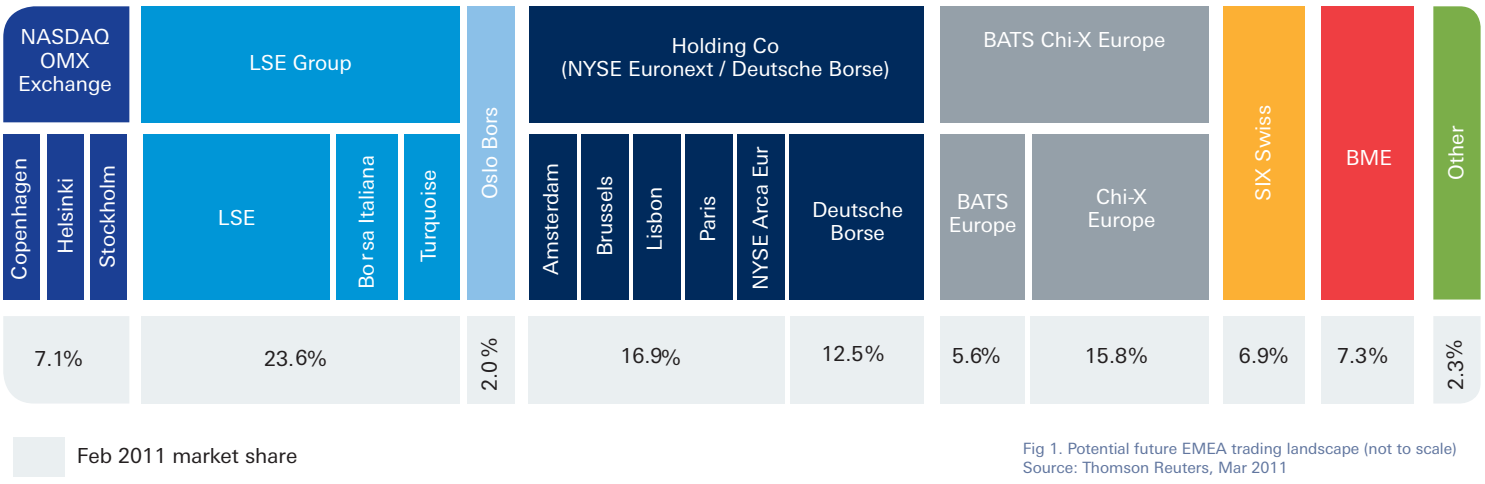


Fig 1. Potential future EMEA trading landscape (not to scale)
Source: Thomson Reuters, Mar 2011

This shows three main groups emerging: LSE Group; Holding Co (NYSE Euronext / Deutsche Börse) and BATS Chi-X Europe. Although the NASDAQ OMX group has the smallest market share, it is the dominant presence in Scandinavia. Could the European market be destined to remain fragmented but without the benefits of competition? Or, are two dominant exchange groups and a dominant MTF group exactly what the market needs?

European Venue News - continued

Turquoise to combine with EDX to build pan-European derivatives business

The London Stock Exchange Group has confirmed plans to build a pan-European derivatives business, through the creation of 'Turquoise Derivatives'. The new business will combine with EDX and plans to trade pan-European single name and index futures and options. It will be built using TMX Group's SOLA trading technology, which is already utilised by LSE Group's EDX and IDEM derivatives markets. LCH.Clearnet will provide CCP services. The plans are subject to regulatory approval.

Budapest Stock Exchange 'considering merger deals' but is not for sale

The co-CEO of the Budapest Stock Exchange, Michael Buhl, told Financial News that he was considering deals with local exchanges and "wouldn't rule out taking a stake in one of these markets if the valuation is right". However he has confirmed that the exchange is not for sale following reports that Wiener Börse was approached. Wiener Börse owns 50.5% of the Budapest Stock Exchange, as well as stakes in the Ljubljana and Prague Stock Exchanges. The four companies set up a holding company called CEE Stock Exchange Group (CEESEG), which has signed co-operation agreements with other exchanges in the region.

EuroCCP to clear for Spanish MTF

EuroCCP has signed a memorandum of understanding with the Spanish MTF 'PAVE' (Platforma Alternativa de Valores Espanoles) to provide clearing services for the MTF.

Market Structure News

LSE migrates to Millennium IT technology

On 14 Feb 2011, the LSE migrated its UK cash markets to its new Millennium IT trading platform. The trading platform is designed to provide low latency, which will appeal to high frequency traders. Turquoise was successfully migrated on to the new technology last year and other markets operated by the group are expected to follow.

LSE suffers an outage

Following the migration of the LSE UK cash markets to Millennium IT technology, the LSE suffered an outage on 25 Feb 2011 and participants were unable to trade for more than four hours. The LSE has reported that the problems were due to a connectivity error.

The outage prompted Chi-X Europe CEO, Alasdair Haynes, to call for an end to LSE's monopoly of the main market opening auction. He said: "…too many people use the opening and closing prices as a benchmark. If the exchange has an operational problem then we should be allowed to open for the LSE.".

The LSE also suffered a glitch the day after the migration when continuous trading overran by 42 seconds, causing some orders intended for the closing auction to be submitted into the continuous trading session.

Borsa Italiana suffers an outage

Borsa Italiana suffered an outage on 22 Feb 2011 and participants were unable to trade for more than five hours. The cause of the outage is as yet unknown and the Italian regulator has requested information from the exchange. Borsa Italiana is part of the London Stock Exchange Group.

NYSE Euronext announces plans to provide proximity hosting in London

NYSE Euronext has announced plans to provide proximity hosting for investors via Interexion's data centre, based just outside the City. The plans are designed to appeal to high frequency traders.

Regulation and policy news

Clara Furse to head UK government study into the impact of high frequency trading

Clara Furse, the former CEO of the LSE has been appointed to head up a Foresight Project to investigate the impact of high frequency trading on market stability and the economy. The Foresight project was set up last year to explore how computer generated trading in financial markets might evolve in the next ten years or more. The project is sponsored by the UK Treasury.

For further information: http://www.bis.gov.uk/foresight/our-work/projects/current-projects/computer-trading

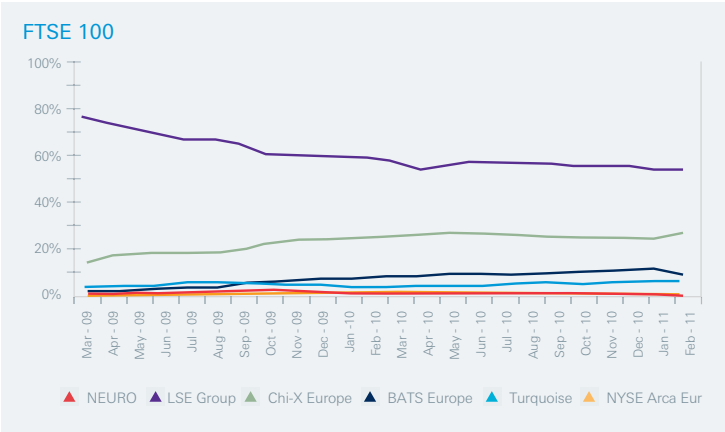
FSA director nominated as executive director of ESMA

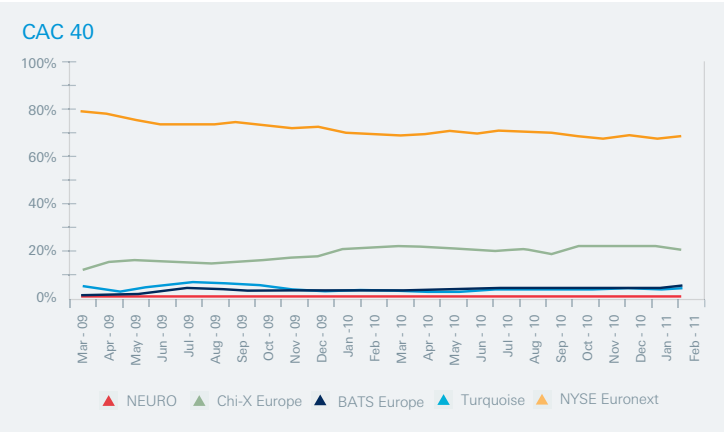
Verena Ross, a director at the UK FSA, has been nominated as executive director of ESMA (the European Securities and Markets Authority). The executive director will be responsible for the day-to-day management of ESMA. Last month Steven Maijoor, from the Dutch regulator AFM, was announced as chairman of the ESMA supervisory board.

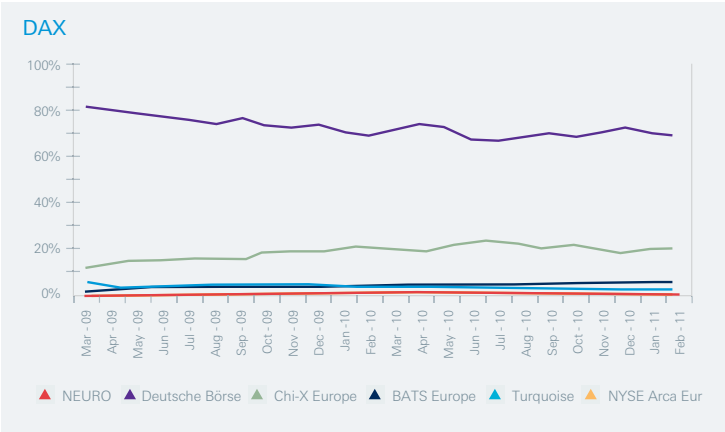
Sources: http://www.ft.com/cms/s/0/26263f60-33c2-11e0-b1ed-00144feabdc0.html#axzz1FN6tjmG0; http://www.tmx.com/en/about_tsx/; www.londonstockexchangegroup.com; www.batstrading.co.uk; www.deustsche-boerse.com; www.bbjonline.hu; www.efinancialnews.com; www.euroccp.co.uk; www.ft.com; www.reuters.com; www.bis.gov.uk/foresight;

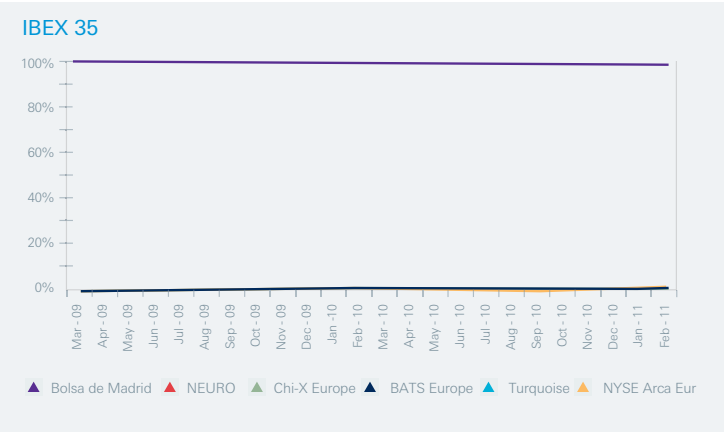
Index market share

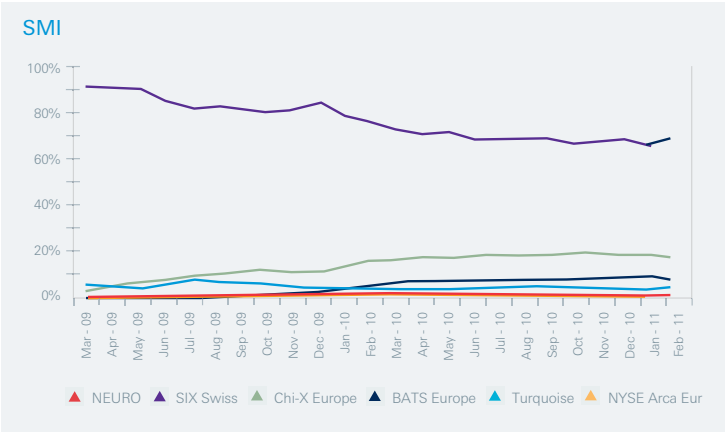
The charts below show the key European indices broken down by trading venue % market share:

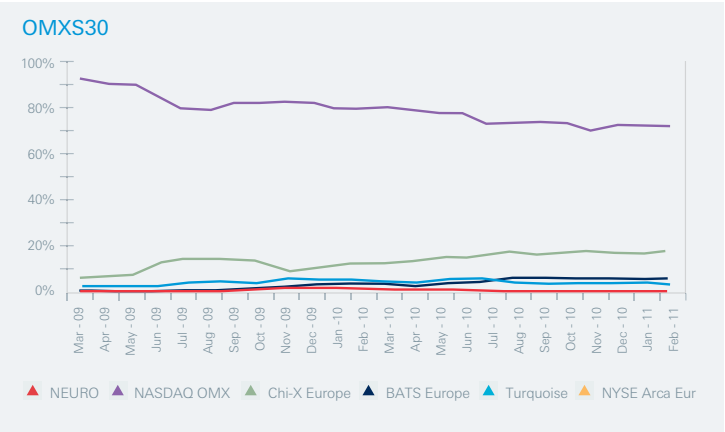












Source: BATS Europe, Mar 2011

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