



CENTRE FOR THE STUDY OF FINANCIAL INNOVATION

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PLUS Markets: Cracking the big time? A round-table discussion on London's new(ish) equity market, with Simon Brickles (CEO), Nemone Wynn-Evans (director, business development), Michael Hines (Winterflood Securities) and Adam Kinsley (LSE) held on Tuesday, June 10, 2008, at Watermen's Hall, 18 St-Mary-at-Hill, London, EC3R 8EF, from 12:30–2:15pm.

Competition has finally reached the world of stock exchanges, and it certainly looks to be red in tooth and claw between the incumbents and upstarts, if this roundtable was anything to judge by. Appropriately enough, this was the first roundtable to seat people with opposing views across the room from each other. The first speaker kicked off with a summary of PLUS Markets, which used the old OFEX as a base on which to build a full stock exchange involved in both primary i.e. capital raising, and secondary i.e. trading markets. Launched last summer it targets medium-, small- and micro-cap companies from the middle of the FTSE through to unquoted ones. It has 60 member firms and 220 quoted firms. It is also an EU Recognised Investment Exchange allowing 7,500 officially listed European companies to be traded on it. As later became clear, it significantly does not include most AIM stocks.

The second speaker said the EU Markets in Financial Instruments Directive (MiFID) had strengthened a competitive market that already existed in the UK. PLUS competes with the London Stock Exchange, the LSE's Alternative Investment Market (AIM) as well new arrivals such as Turquoise and Chi-X. The third speaker said execution-only brokers had been crying out for more competition. The fourth speaker put some figures on the table. While the LSE's main market had a combined capitalisation of £4.2 trillion, AIM represented £98bn and the quoted companies on PLUS £2.5bn. In terms of money raised the LSE and AIM dwarfed PLUS. In terms of the secondary market he said 85% of the PLUS's value was coming from revenues derived from MiFID trade reporting requirements.

One member said it was worth remembering that new exchanges did not create liquidity – they simply provided the swimming pools. The hope was that competition would encourage their owners to improve the changing rooms, cut their prices and provide decent lifeguards. The fourth speaker agreed but said competition was less of an issue for less liquid stocks. Where dual listing between AIM and PLUS was possible only 80 companies had taken the option. He was perplexed PLUS wanted full access to AIM. He doubted it was because of the potential trade revenue – which he estimated at £150,000 - but suspected it was linked to the £10m its house broker had estimated in data sharing revenues.

The first speaker said that had been an “extraordinarily prolix submission”. He asked why there should not be an equal market for AIM shares, giving the brokers and market makers the choice. The LSE covers less than two-thirds of the market and is trying to defend its monopoly position in AIM. However one member said the LSE, which had been given an

exemption from EU rules when it set up AIM in 1995, should be allowed to reap the rewards of its success in building a market from scratch. However another said that if PLUS had access to AIM it would take the small cap business because it was cheaper than AIM. The fourth speaker said opening up AIM would mean pulling the rug under the feet of those companies that had signed up to the AIM rulebook. One member agreed, using an analogy of Tesco being forced to make its own-brand goods available to Waitrose to sell on its shelves at a cheaper price.

One member said AIM's origins lay in the days when the LSE was the listing authority. Life had moved on. It was not tenable for AIM to maintain its non-regulated status post-MiFID. EU legislation will change that but given that EU laws tend to take 10 years to amend, AIM has a maximum of a decade of its current status. Looking forward, the second speaker said the right to trade AIM stocks was its major priority. It was upgrading its platform and was determined to be a leading part of a rapidly changing marketplace. That last phrase is something that all players can agree on.