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By email: clients@lseg.com

31 January 2020

Dear Brian

Re: LSEG Consultation on Market Structure and Trading Hours

BlackRock welcomes the opportunity to respond to the London Stock Exchange (“LSE”) regarding its consultation on market structure and trading hours (“the Consultation”).

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

BlackRock supports the move to shorten trading hours on the LSE and other European exchanges. Long trading sessions impact more than just traders. Long trading hours also heavily influence the culture and work life balance of portfolio managers, technology, operations, legal and compliance and many others in the asset management industry.

Meanwhile, the market continues to evolve at a phenomenal pace. Advances in technology and infrastructure have resulted in the market becoming much more efficient. Spreads are tighter and transactions occur in microseconds as opposed to minutes 15-20 years ago. Trading is no longer limited to taking place in open outcry pits by traders struggling with the sheer volume of orders. The evolution of market hours is a natural progression based on market and industry conditions and operational requirements.

We believe that setting trading hours from 09:00 to 16:00 would be the optimal approach, preserving an overlap between the UK and US markets, while giving staff greater flexibility in how they use their time in the morning – for working parents, this could mean the ability to complete the school run.

We encourage the LSE to work with other venues, firms and relevant representative bodies to promote a similar approach across European trading venues. We are supportive of and have contributed to several trade association responses, including those of the Investment Association and the Alternative Investment Management Association.

In the Annex we provide our detailed responses to the questions raised in the Consultation. We welcome further discussion on any of the points that we have raised.

Yours sincerely,

Paul Battams

Managing Director, Head of EMEA Equity Trading

Daniel Mayston

Managing Director, Head of EMEA Market Structure and Electronic Trading

Stephen Fisher

Managing Director, Global Public Policy Group

Annex

1.a) Do you consider the longer hours in Europe a benefit to liquidity?

No – most other markets, including some of the most liquid markets in the world, are open for shorter periods. We would still expect the same amount of business to transact in a shorter time period, which would likely result in an improvement in liquidity (spreads and depth of market). Liquidity is generally poor first thing in the morning as the market takes time to digest news. As a result, very little trades in the first hour.

1.b) Would the concentration of trading hours increase turnover and liquidity?

An improvement in the quality of liquidity (tighter spreads, increased depth of market and ultimately, better outcomes for end-investors) could potentially increase turnover. Improved investor confidence around price discovery would strengthen participation in capital markets by market makers as well retail and institutional end-investors alike.

2. Would a reduction of trading hours reduce the interest of non-European investors in trading European equities?

There is clearly more overlap in terms of liquidity with the US than there is with APAC. This is in part because of an increasing portion of the European trading volume is skewed towards the European close. A reduction in market hours at the start and end of the day would not reduce the interest of non-European investors. Investment opportunities would likely not decrease. In fact, with improved liquidity we may see increased turnover.

3. What would be the anticipated impact for corporate issuers on European markets of adjusted trading hours?

A more liquid market should be beneficial for corporate issuers. It could also allow the market to digest news flow in a timelier fashion – resulting in less volatility around the market open.

4. What would the implications be for equity options and futures markets if equity trading hours were shortened?

Derivatives tend to have a longer trading session, but liquidity is generally concentrated around the market hours of the constituent securities. As a result, liquidity in derivatives would likely concentrate into the shorter hours.

5. Would shortened trading hours impact the participation of retail investors in the market?

Improved liquidity should be beneficial to retail investors, consistent with the objectives of EU Capital Markets Union. A later start would also give retail investors more time to digest news flow and ultimately make more informed trading decisions.

6. Are there any other implications that might need to be considered when shortening market hours?

Coordination with European exchanges: It is important to ensure that any change is made in a coordinated way across European trading venues.

EDSP auctions: EDSP auctions tend to be carried out intraday, so moving the open and close is unlikely to impact them.

RNS: In order to generate diversity and inclusivity benefits of the shortened market hours, these shortened market hours should be passed on to trading and investment professionals. An important way to do this would be to adjust the start time for the RNS from its current 7:00, to at least 8:00.

Benchmarks: Benchmarks should be able simply to adjust to the new market hours. We cannot think of any negative implications here.

7. Finally, considering the proposals outlined above, what would you consider to be the best choice in terms of market hours? Please answer by stating one only of A, B, C, D, or E, supporting the answer with your views.

We support option C (9.00-16.00).

We believe that the trading day does not need to be any longer than seven hours. To maximize the soft benefits of the time changes, which will generally relate to working parents, we believe that the adjustments need to be made in a way that enables the time to be used effectively.