

THE "YOUNG MARKETS" CONFERENCE

Andre Cappon: "A country doesn't need two exchanges"

The consolidation of the stock exchanges all over the world has increased their market value, and a country doesn't need several market operators, considers Andre Cappon, the president of the CBM Group, a consulting company specializing in financial services, who attended the "Young Markets" conference in Sibiu, yesterday.

Andre Cappon gave the example of Canada, where, in the 90s, there were stock exchanges in Montreal, Toronto, Calgary and Vancouver, but the entire market only amounted to one tenth of the United States.

Thus, all the spot market operations were moved to Toronto, and the derivatives to Montreal, and in 1999, the two exchanges signed a ten-year non-competition agreement, during which time both operators grew, according to the quoted consultant.

"In 2007, when the agreement was about to expire, Toronto wanted to acquire Montreal, and a huge conflict between the two exchanges broke out", Mr. Cappon said, who went on to say: "No agreement was reached, and later, Toronto decided to develop its own derivatives market. The worth of both markets fell, only to rise again when the two operators realized that the merger would be better for both. Within the same country, a marriage between the exchanges is more beneficial than a war".

Andre Cappon considers that the futures will belong to the global exchanges, on top of which we will see regional leaders, as well as national players, who will not want to make alliances or mergers.

The message of Andre Cappon fits the situation which exists on the Romanian market, where all the merger attempts between the Bucharest Stock Exchange and Sibex have failed.

Moreover, the two markets entered a direct competition, as the BSE launched its own derivatives market, and Sibex its own spot market, which has however remained underdeveloped, with just two companies listed and insignificant trading volume.

At the present time, the talks about a current merger seem to have been abandoned, as the two operators are facing internal "turbulence": in January, the Board of Directors of the BSE was replaced by the shareholders, and now, the same thing is being debated in Sibiu. The shareholders are being summoned on Saturday to decide on the dismissal of the current management and the election of a new one.

At the end of July, Grigore Chiș, the CEO of SSIF Broker Cluj, said that in his opinion, with the exception of some residual shareholders which are invested in both companies, the two exchanges never had any real synergy options, in spite of all their pro-merger talks, quite the contrary.

Over the years, it has been proven that the petty ambitions of some of the shareholders, leaders or directors of the two exchanges, overruled the interest in the merger, Mr. Chiș was saying at the time, and he added that the merger could only be achieved through a hostile takeover of the Sibiu Exchange by another exchange in the region or by the Bucharest Stock Exchange.

This year, the cumulated volume of the trades on the futures market of Sibex, by the end of August, had reached 2.54 billion lei, whereas on the Sibiu spot market, the trades amounted to 6.8 million lei, over the same period.

Since the beginning of the year, futures trades on the BSE, have amounted to 33.68 million lei, with an average daily turnover of 185,056 lei. The market for structured products on the BSE has generated trades of 509.33 million lei this year, or an average daily volume of 2.79 million lei.

Stock trades on the Bucharest Stock Exchange amount to 5.77 billion lei since the beginning of the year, with a daily average of 31.7 million lei.

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22.09.2012

