



“CHALLENGES AND OPPORTUNITIES FOR EXCHANGES”

Mr. Michael Foot, the Vice Chairman of Promontory Financial Group, said today that “all the evidence shows that regional consolidation of Exchanges is an absolute must”. He said that in his keynote address to the ADX Market Maker Conference, Abu Dhabi, on February 16th, 2014.

He also added “where consolidation has not occurred, the result has been relative stagnation”, and “certainly the limited size of the relevant Exchanges in this region suggests that, to date, none have achieved the economies of scale that they need for real growth. In short, where there is no consolidation, it seems that everyone may suffer.

In large part, this is because of the very obvious economies of scale that consolidation can bring, especially in areas such as the IT support for the trading platform. But the fact is that these possible economies run through many more areas than just basic IT. Good corporate governance of Exchanges does not come cheap, for example, nor do the systems needed to monitor insider trading and other market abuse. In areas such as this, the relative costs of good practice per trade can fall very sharply indeed as volume increases.

In terms of some of these economies and for the vital but less easily mapped issue of trying to get business skills to congregate in one location, consolidation of Exchanges is essential.” He added that “Especially where, in a Region, there are a number of possible locations for cross-border trading activity, the existence of such value-hubs can be critical in determining that Center A grows, rather than B or C.”

He concluded that in addition to “the potential value of regional consolidation, another lesson, from the Exchange mergers that have taken place, is that growth and prosperity only go to the committed. It is also vital then to provide ‘best in class’ services -whether that be corporate governance, IT, infrastructure or the rules environment in which the Exchange itself functions. The rewards go only to those who are indeed ‘best in class’ and who, one way or another, have something a little better on offer than the geographical rivals who may be next door.”

About Promontory Financial Group

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