

# TRULY GLOBAL POSITIONING: LONDON STOCK EXCHANGE

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**Through initiatives such as Shanghai-London Stock Connect, and the soon-to-be-launched Global Equities Segment, London Stock Exchange is cementing its role as the world's most international stock exchange.**

Sitting in a time zone at the centre of the global business day, London Stock Exchange (LSE) recognises the importance of this positioning for both investors and traders alike. As a result, we continue to engage with the market to develop a number of global initiatives for customers looking to access our global pools of liquidity.

Over 70% of global revenues of FTSE 100 stocks derive from commercial activities outside of the UK, and 37% of all London-listed

companies are of international origin. This demonstrates LSE's continued ability to attract diversified and global demand for products available to trade on the market.

LSE's International Order Book (IOB) offers a dedicated service for investors to trade global depositary

receipts (GDRs) denominated in US dollars and following an internationally respected T+2 settlement discipline. This order book, a segment of LSE's Main Market, offers cost-efficient, secure and transparent access to invest in companies operating in some of the

**COUNTRIES**

**150+**

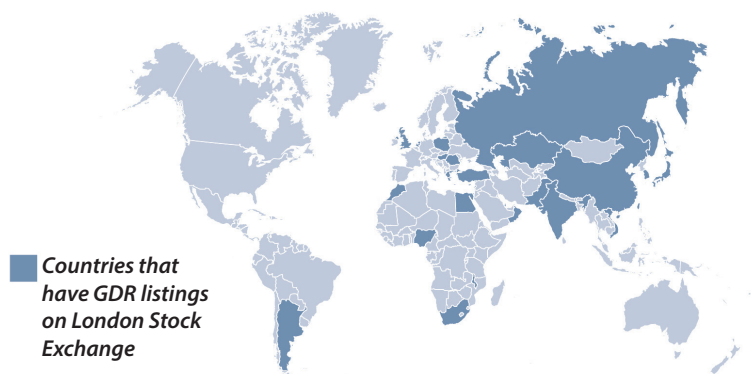
**COUNTRIES WHERE  
FTSE 100 COMPANIES  
OPERATE**



**INTERNATIONAL  
MARKETS**

**70%+**

**OF REVENUES OF FTSE 100  
COMPANIES ARE DERIVED FROM  
INTERNATIONAL MARKETS**



world's fastest growing countries. With more than 130 GDR issuers representing over 30 countries, the IOB connects worldwide investors in one time zone and marketplace.

The majority of trading activity on the IOB relates to Russian listed depositary receipts. In fact, London represents the largest secondary market for Russian securities outside of Moscow. We are also seeing increased investor appetite for trading securities from other geographies. For example, in the first half of 2019, trading in Indian securities rose by over 7% (by value) year-on-year. More specifically, the GDR of Samsung remains the most actively traded Asian security on the market with an average of 9% global activity in the stock trading on IOB. Across all securities, total daily value traded across the IOB in the first half of 2019 averaged around US \$300m. The IOB represents the world's largest GDR market, positioned to provide optimal geographical reach and time zone overlap across 27 underlying markets (based upon countries where London-listed GDRs are incorporated).

### CHINA CONNECTION

In June, LSE launched Shanghai-London Stock-Connect, in collaboration with Shanghai Stock Exchange. This initiative represents the first two-way depositary receipt mechanism

between China and the UK, allowing foreign companies to list in mainland China whilst also making available securities fully fungible with Chinese A-shares to be traded outside of China. This exciting new platform has been developed with the full support of the UK and Chinese Governments and regulatory authorities, further highlighting the international opportunities available on London Stock Exchange.

Chinese-A share depositary receipts are traded on a dedicated Shanghai Segment within the established IOB. Huatai Securities was the inaugural Chinese issuer to list via Shanghai-London Stock Connect and we expect further issuers to follow. With T+2 settlement in US dollars, no pre-delivery requirements and trading during regular London market hours, initial trading

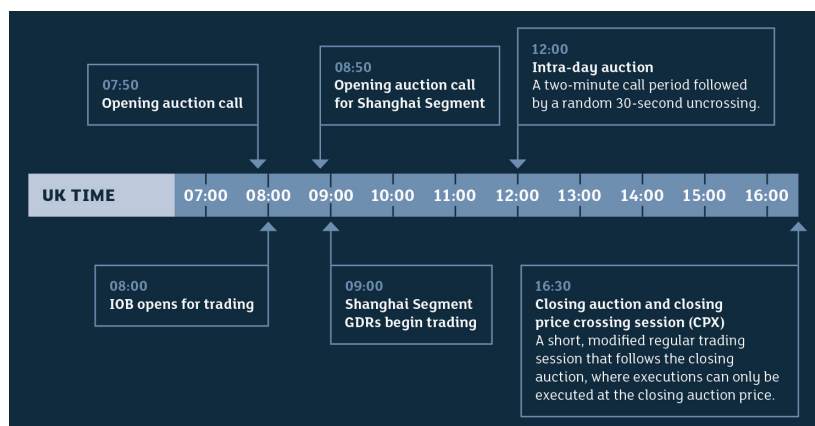
activity has been very encouraging with Huatai Securities consistently featuring in the top 10 securities traded on IOB since its listing (based upon average daily value traded).

### TRADING GLOBAL EQUITIES ON THE WORLD'S MOST INTERNATIONAL EXCHANGE

In response to demand from retail investors in Asia as well as trading members LSE is due to launch a new Global Equity Segment by the end of the year.

The Global Equity Segment will bring 50 of the most actively traded US securities and 30 liquid Chinese ADRs to be admitted for trading on the MTF (MIC code XL0M) operated by LSE and available during regular London trading hours. The development leverages our members' world leading expertise in market making and liquidity provision capabilities allied with London's unique time zone positioning. The new segment will provide global investors (including retail) the opportunity to reduce time zone risk, as well as providing the efficiency of a real-time valuation management platform whilst accessing exposure to global securities.

The Global Equity Segment will utilise a well-established CREST depositary interest (CDI) workflow,



efficient settlement and realignment through existing Central Securities Depository (CSD) linkages between the UK and US (Euroclear UK & Ireland and Depository Trust & Clearing Corporation). This means investors can trade and settle the international security like a domestic instrument: quickly, cheaply and efficiently. This is because the CDI is merely a representation of the underlying security in an alternative CSD and shares the same ISIN.

The ability to move CDIs quickly and easily between markets allows for cross-border execution and settlement within a T+2 settlement cycle in US dollars. This could allow, for example, an investor to buy securities in London during regular London trading hours and to sell in New York on the same day. Both trades would then settle T+2 in the respective markets.

As a newly created segment on LSE, members will be able to simply utilise existing connectivity protocol. Post trade, the segment will support clearing interoperability, in line with LSE Group's Open Access approach.

The Global Equity Segment is yet another example of LSE's innovation to meet the evolving needs of an increasingly global customer base, enabling access to more international trading opportunities.

From October 2018, LSE Group launched an Asian promotion, waiving Asia retail end clients' fee for real time data for an initial 12-month period. This promotion of LSE Group listed companies through market data initiatives for Asian retail customers combined with efforts to work with local partners, both trading relationships with brokers and marketing strategies with platform providers

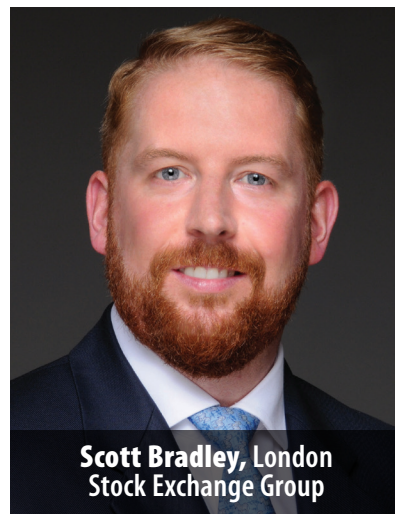
has fuelled interest in being able to bridge that time zone gap between Asia and the US.

Subscriptions to UK and international markets data through LSE Group increased over 900% in the first half of 2019 and more than a dozen new trading and or marketing partnerships established reaching new audiences for the first time. This represents greater awareness and visibility of choice, convenience and opportunity for investors looking for increased portfolio diversification in one single marketplace.

### **LONDON'S TIME ZONE, OVERLAPPING WITH ASIAN AND US MARKET HOURS ALLOWS FOR REAL-TIME ACCESS TO GLOBAL EXCHANGE TRADED PRODUCTS**

Diversification and international exposure to securities is core to the Exchange Traded Product (ETP) market on London Stock Exchange. Over 1,700 ETPs are listed in London, with 23 registered market makers providing continuous ETP pricing and a high-quality pool of liquidity. There are some 32 ETP issuers on London Stock Exchange, who offer exposure to global geographies including the US.

In total, there are approximately 300 ETFs available on LSE which provide investors with exposure to underlying US securities, and currently 25 with exposure to China. This is further testament to the international opportunities available to investors trading in London. LSE supports trading in six different currencies (including USD, EUR, CHF, HKD and CNY), providing further choice and flexibility in the pursuit of global access and exposure. With no stamp duty payable on ETF trading (and no withholding tax when investing in Irish domiciled



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ETFs that invest in US equities) this offers another benefit for the international investor looking for truly global trading opportunities.

As financial markets become increasingly global, LSE continues to play a role in supporting customers around the world in its trading activity. Through initiatives such as Shanghai-London Stock Connect, and the soon-to-be-launched Global Equities Segment, LSE is cementing its role as the world's most international stock exchange. ●