

MULTIPLE CHOICE PROVIDES THE ANSWERS



UBS Higher numbers of smaller trades cause equities clearing and settlement costs to soar. Interoperable clearing links are a solution, says Robert Barnes, CEO, UBS MTF.

Interoperability offers a way to take advantage of volume discounts to reduce costs and gives the flexibility to trade the same instrument anywhere and settle in one place. A multiple Central Counterparty (CCP) user choice model is the safe and simple way to aggregate matched flows of different stock names across venues for immediate single volume discount benefits of reduced transaction and collateral costs. A firm can benefit from its eligible flow in one step without forcing switching costs on those that wish to stay with the incumbent clearer. Full interoperability also allows total predictability that a matched order will clear through the trader's CCP of choice.

Equities Exchanges first introduced linked CCPs in 2003 in Switzerland and in 2008 in London. During the largest crisis in the history of the capital markets, the interoperating CCPs performed well. While CCP failure is unlikely, it's reassuring to know a back-up exists. In the event of CCP outage, members that elect an interoperable CCP as alternate can continue trading.

Market participants consider a trading facility attractive if it offers greater efficiencies and lower costs. With BATS Chi-X Europe and Turquoise this year following UBS MTF in 2011 activating full interoperability, Europe in 2012 has achieved the milestone that half of all EU developed share trading now matches on platforms featuring full interoperability. Nordic markets NASDAQ OMX and Burgundy are set to join the interoperating ecosystem. The insight is that CCP interoperability has become the rule rather than the exception in Europe.

UBS has championed CCP choice for more than ten years. With UBS MTF among the first to offer full interoperability, we added insight as a market operator to our positive experiences as a broker. FTSE Global Markets recognised us as one of its 20 most influential initiatives of 2011.

Exchanges world-wide are upgrading. Adding a choice of CCPs can speed the onboarding of international members and their scalable flow. As institutional investors and high frequency firms increasingly seek to enter new regions, it makes sense for Asian, Latin American, and Emerging markets to explore the adoption of interoperability to enhance prospects for growth.

For more information, please visit www.ubs.com/mtf