

Reflections On the Merger Wave of Global Stock Exchanges

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Abstract: Under the influence of economic globalization,rapid development of information technology and stock exchange corporatization, the wave of global stock exchange merger began to appear in the early 21st century. This article in combing the consolidation of major events since the 90 s on the basis of summarizing the global stock exchange in the merging process of exchange system by membership gradually became a company type, product diversity, the electronic system can be several multinational networking trend, secondly to trigger a wave of exchange consolidation, analyzes the main reasons of the last exchanges in Asia Europe and the United States capital was concerned, brings to the investor and issuer convenience and exchange of competition at the international level in full swing three aspects analyzes the impact of the global exchange consolidation.

1. Introduction

The stock exchange is not only an infrastructure for the operation of national capital market, but also a platform for the exchange of important production factors in the field of modern economy. In today's global environment, exchanges are fiercely competitive and the industry landscape is constantly changing. In recent years, there have been numerous mergers of stock exchanges all over the world, which to some extent is also a manifestation of competition between big countries. The wave of consolidation among global exchanges has its reasons and will undoubtedly have a profound impact on international financial markets.

2. Mergers and acquisitions and cooperation of stock exchanges worldwide

Global exchanges have shown a clear trend towards cross-border mergers and acquisitions since 2000.In 2000 Paris, Amsterdam and Brussels agreed to merge to create Euronext. Europe's largest stock exchange, with a market capitalisation of \$4 trillion, bringing together more than half of all share trading in Europe. Two years later, the new European stock exchange acquired Portugal's Lisbon stock exchange and the London international financial futures exchange (LIFF).

On February 9, 2011, Deutsche Boerse group (Deutsche Boerse AG) announced and set about pan xin exchange group (NYSE Euronext) to merge, the NYSE Euronext shareholders general assembly,Deutsche borse shareholders, the United States regulatory approval, European regulators approved will create the world's highest revenue, profit and market value biggest, the most widely distributed and most complete industry chain of business exchange group was born.

Nasdaq, the world's largest electronic exchange, has also been prominent in its market expansion. In 1998 Nasdaq merged with the American stock exchange, America's third-largest stock exchange, to form Nasdaq, the Amex group of companies.In 2001, nasdaq established "nasdaq Japan" in Japan

and took control of Easdaq to actively expand its business in Europe. In 2005, nasdaq further consolidated its position by announcing the acquisition of Instinet, an electronic trading system operator. Two years later it bought OMX, a Swedish exchange operator.

In 2005, the nyse announced the acquisition of electronic trading operator Archipelago holdings to create a new company, Archipelago group, that will take the nyse public in 2006. In 2007, nyse merged with euronext to become the world's first transatlantic stock exchange. In 2007 it bought a 5% stake in India's national stock exchange. The New York stock exchange is shifting its expansion from Europe to Asia.

In 2000, the stock exchange of Hong Kong of China, the futures exchange and related clearing companies merged to form Hong Kong exchange and clearing house co., ltd. and went public. At the same time, South Korea, Singapore, Australia and other countries also carried out many economic reforms. And the tse and the Korea exchange are increasingly working together to set up a joint market that allows investors to trade stocks listed on another market.

3. The Development Trend of Global Stock Exchanges

In recent years, the m&a process of global stock exchanges has shown several new features, that is, products tend to be diversified, electronic trading systems have been developed and can be connected across countries.

3.1 Stock Exchanges Tend to Diversify.

Since the 1980s, in a good environment of development and competition, the financial innovation of exchanges has developed by leaps and bounds. In addition to the innovation of trading mode from market maker system to computer automatic matching system and commission system, stock exchange trading products also have great innovation and tend to diversify.

There are many market participants and different types of market participants have different needs. Considering this, when attracting market participants to buy and sell, stock exchanges need to provide different types of financial products, such as different investment periods, or risk and return portfolios, to meet the needs of different investors. Nowadays, many stock exchanges are transitioning from traditional monolith to diversification. Firstly, the financial products of stock exchanges are increasing. Traditionally, derivatives are traded on over-the-counter or commodity exchanges, but this year, stock exchanges have become a trinity of stock exchanges, futures and options. Secondly, the bond products of stock exchanges have also increased, and due to the need of competition, each exchange has begun to pay attention to bonds as the development focus. Finally, transnational products have also developed, which is conducive to improving international influence.

Diversification of stock exchange products is conducive to the development of the exchange in all aspects, the most obvious is to increase the exchange income, in addition, more importantly, it can strengthen the competitiveness in the market, attract more customers, and improve their status.

3.2 Cross-border Networking of Electronic Trading System.

Electronic communication technology undoubtedly brings considerable convenience to securities trading and has a huge impact on it. It is generally known that before the development of electronic technology, the competition between traditional exchanges and independent electronic trading systems developed by some operating institutions is fierce and often restricted by it. In order to cope with this situation, as far as possible to obtain competitive advantage, traditional exchanges to spend energy on the technical level ongoing technological innovation, adopted the new electronic trading

system automation, so that you can place orders automatically by the computer, a lot of transaction can be completed, with the electronic trading system, however all know electronic systems tend to appear in the process of trading system error such as some risk, stock exchange also USES a variety of ways to deal with.

Under the background of globalization, cross-border trading is becoming more and more frequent, and the overseas trading refers to more and more. In order to better meet the development of globalization and realize the efficient online trading more quickly, many exchanges have started to use some measures to develop the trading system to the cross-border network. This will undoubtedly bring benefits. Exchanges can smoothly develop trading abroad after placing trading terminals in foreign countries through modern electronic trading systems. Meanwhile, exchanges start to conduct cross-border trading through systematic cross-border networking to improve the efficiency of trading.

4. Analysis of the Reasons for the Merger of Stock Exchanges

The consolidation trend of global exchanges in recent years is closely related to the rapid development of information technology.

4.1 The Rapid Development of Information Technology.

In after the 1990 s, with the rapid development of information technology gradually disappear, it makes the space and time intervals to rule out the obstacles of time and region has some securities issuance and trading, clearing patterns have changed, such as merger of a number of reasons in the stock market in the progress of information technology is the most important, so to speak. Specifically, technological progress has greatly improved the information efficiency of the securities market, and the improvement of network transmission capacity has accelerated the efficiency of information exchange. Global information sharing has become a reality, and people can get information very quickly and the delayed response has been improved. The global expansion of information technology on the improvement of exchange provides the technical support, again, information technology makes the securities issuance of work has been simplified and reduce all kinds of distribution of the cost of subscription efficiency has been improved at the same time, increasing ability of the computer processing and greatly accelerate the speed of the liquidation of the securities and exchange, all these are combined for the global stock exchange provides a good foundation and conditions.

4.2 Corporatization of Stock Exchanges.

In fact, cross-border mergers and acquisitions of exchanges are the preemption of economic resources such as listed resources. Behind such behaviors, it is usually driven by huge profits and the competition for market dominance in the global scope. As is known to all, the corporate system is generally for the purpose of profit. However, when the exchange expands more widely, its influence will be greater, its market appeal will be improved, and it will be more convenient to obtain profits. Meanwhile, the most profitable exchanges are in the European Union, while the number of profitable exchanges in the asia-pacific region is less. The reform of corporatization of exchanges in Europe and the United States began in recent decades.

Stock exchange of corporations is the exchange of the traditional "public products" to add the "commercial" attribute, the exchange from non-profit to for-profit companies, which have greatly stimulated the exchange want to win the heart of the profit goes on listed corporations make exchanges at the same time, under the dual temptation of huge profits and listed corporations

exchange tend to positive competition, this is for the exchange of merger is possible.

4.3 Increasingly Fierce Competition Among Stock Exchanges.

Increased competition is also a more important factor in the rush to consolidate. In the competitive environment, if they do not have an advantage, there is no doubt that they will soon be eliminated, disappeared in the tide of The Times. The number of modern stock exchanges is increasing. If they fail to expand their advantages and influence, they may be merged or even disappear. Stock exchange main need efforts to attract investors to expand market share, it is necessary to improve their own competitiveness, in order to stand out in such fierce competition environment, the various countries and regions of stock exchanges have begun to choose a merger to keep existing advantages, especially in the same area and have the same size of exchange between the competition more apparent, they tend to be more need to merge with other firms to against one another, make oneself not disadvantage situation. Merged many benefits for exchange, or can make the increase in the influence of the stock exchange, increase the volume, especially many modern transnational merger case, first transnational merger can improve recognition abroad, for securities firms to expand overseas transactions, the scope of business to develop a broader level, increase revenue and profit in the stock market at the same time, the management level improved, more competitive in the international community.

4.4 Economic Globalization.

Economic globalization is an important trend of world economic development. Since the 1990s, the globalization economy has shown broader and deeper features, which are manifested in the expansion of international division of labor to the fields other than trade and production, as well as to the aspects of capital and credit. The corresponding financing and investment movement of social reproduction is not limited to domestic countries, but begins to be in global demand, which puts forward requirements for the international globalization of the stock exchange industry.

With the rapid development of economic globalization, the global trade expands and grows rapidly, and the capital flows around the world speed up. The reason is the continuous optimization of resource allocation on a global scale. As economic globalization has accelerated, most countries have loosened controls on capital flows, facilitating exchanges' global mergers and acquisitions. Many multinational companies in order to be kept in the global scope to raise more capital at the lowest cost, to achieve the rational and effective allocation of resources, expand the company's worldwide popularity and appeal, to have the opportunity to have bigger influence exchange, this demand requires a global exchange m&a integration way, also be the power that promote stock exchange consolidation.

5. The Impact of the Stock Exchange Merger Wave

The stock exchange is the key to the operation of a national financial market and a platform to provide various financial services. The emergence of a wave of global exchange consolidation has also had a lot of real impact, driving change in all directions.

5.1 Exchange competition is in full play at the international level.

The corporatization of the exchange makes the exchange change from a non-profit organization to a profit-making company, which leads to the revaluation of the exchange value. When people look at the value of the exchange, they are no longer limited to the former government departments, but have a new perspective, that is, to conduct the valuation of the exchange from an independent

legal person. If an exchange has a good reputation, perfect system, and complete and huge trading network, it will be more easily concerned by investment and financing institutions and service providers compared with other exchanges, and more likely to obtain larger orders and more trading volume. Exchange is a special industry with scale effect and network externality. The larger the exchange is, the stronger it is. In other words, the larger the scale is, the stronger the strength is, and the greater the impact on the financial market will be. As a result, competition between exchanges has spread beyond national borders to international ones. For example, the New York stock exchange, nasdaq, deutsche boerse, euronext, London stock exchange and others have been leading the country or the field after years of development. However, they have strengthened their position as national or field leaders through a series of acquisitions and partnerships, and are now taking steps to become world exchange Kings by acquiring other exchanges. With the increasingly fierce competition and the increasingly large merger wave, some weak exchanges begin to lag behind, while some other firms continue to strengthen, the difference is more and more obvious. The eventual winner of the merger boom could become the world's top stock exchange.

5.2 Great Convenience for Global Investors and Financiers.

The global stock exchange merger makes investors and other market participants will benefit, regardless of its size and the level of earnings, on a global scale after merger, the stock exchange of various types of transaction costs, including stock underwriting fees and trading commissions and sale price difference are greatly reduced, saved money.

The consolidation of global stock exchanges will also promote the efficient and effective flow of capital between countries and achieve the most reasonable international allocation of capital. In the context of global securities trading, financiers can compare various kinds of capital around the world and choose the lowest cost capital according to their actual situation. Meanwhile, a large number of multinational companies can also sell their products around the world to raise funds to better realize their business plans. It is also much more convenient for investors. The world is a large area and there are more and better choices in this broader and more competitive market.

5.3 Asian Exchanges are Closely Followed by European and American Capitals.

In the wave of global exchange consolidation, it is not hard to see the asia-pacific region making a dent in the wave. There are many reasons for this situation: one is the region's exchange mostly to corporate restructuring has not, yet is still under the control of the government, now in the Asia Pacific region exchange, there are still quite a number of countries and regions exchanges are not corporations, but also by state control, the restrictions make it hard for local and regional exchange to mergers and acquisitions and cooperation with other firms, so the international activities also can only to low levels of cooperation, the second is in addition to the Tokyo stock exchange and a few other big exchanges in the asia-pacific region other exchange scale is not large, relatively international influence is relatively low.

But since the wave of mergers is global in scope and depth, Asia's exchanges will be more or less affected by the wave. From the point of view of many Asian exchanges, it can be seen that a lot of high-quality enterprise resources have been gradually transferred to exchanges in Europe and America. In the long run, to create a global 24-hour trading mechanism in east Asia, attract more international in the transaction of listed companies under the system of any listed on an exchange, at the same time around the world enjoy the full-time in securities trading is an extremely important geographical location, for the European and American countries exchange and occupation of the land as soon as possible, the advantage of the competition will get first, so that the European and American countries exchange focus attention in east Asia are also beginning to highly exchanges of

various aspects to trading, paying attention to the situation.

In this new stage in the development of global merger wave, if the region's exchange's stay, in fact also may lose an opportunity to expand and innovative products, and these countries or regions exchanges will be for the backward system and so on various aspects reason leads to more serious loss, capital markets, financial markets stagnation or even a recession, long-term in the past, these uncompetitive exchange itself, is very easy to international capital mergers and acquisitions.

6. Conclusion

As a scarce financial resource in global capital market, stock exchange plays an extremely important strategic role in the economic development of a country. Driven by economic globalization and the dramatic improvement of information network technology, there are more and more exchange merger events. Meanwhile, they also bring various influences, bring convenience to market participants and enable exchanges to compete in an all-round way at the international level. Global stock exchange wave no national or regional exchanges can be completely isolated from each other. Therefore, if starting from their own actual situation, taking full advantage of the benefits brought by exchange merger, and continuously expanding the strength of exchanges, the international influence of exchanges can be enhanced to the largest extent.

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