

Euronext trading hours consultation

AMAFI Contribution

Association française des marchés financiers (AMAFI) is the trade organisation working at national, European and international levels to represent financial market participants in France. It acts on behalf of credit institutions, investment firms and trading and post-trade infrastructures, regardless of where they operate or where their clients or counterparties are located. AMAFI's members operate for their own account or for clients in different segments, particularly organised and over-the-counter markets for equities, fixed-income products and derivatives, including commodities.

EXECUTIVE SUMMARY

AMAFI welcomes the opportunity to respond to this consultation. Overall, we believe that shortening the trading day by one hour, more than anything, is likely to concentrate liquidity. We also believe that such a change should take into account the necessity to preserve an overlap with important international exchanges. For this reason, we believe that the best option would be to open exchanges one hour later and keep the same closing time.

We also stress in this response the positive impacts of shortening the trading day from an operational standpoint. We believe that a shorter trading day would provide market participants with more time prior to the opening to process economic and corporate information that can be crucial for price formation. It would also provide traders and their operational teams with more time to perform pre-open checks. Moreover, the changing work conditions for traders and their operational teams could foster the attractiveness of trading jobs.

While we encourage shortening the trading day for listed equity and fixed income products, we believe that such a measure **should not apply to the market for warrants**, where retail investors are the most active.

Finally, we believe that the implementation of a shorter trading day should in no mean become a source of competition between trading venues. This means that a shorter trading day should not be at the only initiative of some exchanges, but should rather be coordinated between all EU exchanges and MTFs. We hence advocate for supervisory convergence on this matter, in consultation with all trading venues.

QUESTIONS

1.1 Liquidity

Would a shorter trading day concentrate or dilute liquidity? Please give examples or quote research or studies.

AMAFI believes that a shorter day would rather concentrate liquidity. Based on the observations made by AMF¹, the last years have seen a sharp increase in the share of the closing auction in trading volumes in the European stock exchanges.

An analysis of the CAC 40 shares trading volumes shows an increasing proportion of the volumes traded at the closing auction, reaching 41% in June 2019. We believe that a shorter trading day is not likely to exacerbate this trend.

Moreover, a comparison of average turnover among different worldwide exchanges shows there is no direct correlation between the number of trading hours and traded volumes.

1.2 SMEs

How does the impact of a shorter trading day for SMEs differ to the impact of a shorter trading day for Blue Chips?

We see no objective reason to set a differentiated approach between the two categories.

Currently, some SMEs trade by double auction at 11:30 and 16:30. Would later opening / earlier closing make it necessary to also change auction times to maintain the same time period between the two auctions?

We believe that a shorter trading day would not make it necessary to change auction times. As a matter of fact, an improved intraday liquidity would better serve the midday SME auction.

1.3 Retail Investors

If the exchanges were to close earlier, would you expect to also shorten the trading day for retail investors?

We believe that retail investors would also benefit from the positive impacts of a shorter trading day for equity and fixed income products. Moreover, a shorter trading day would not limit the ability of retail investors to place orders outside of trading hours.

However, we believe that the trading day **should not be shortened for warrants**.

As for the impact on liquidity, the trading activity by retail investors accounts for a very small percentage of trading to overall liquidity.

1.4 Trading Activity

Do you expect that a shorter trading day would reduce, increase or have no effect on the volume of your trading activity? Please give examples.

¹ "Growing importance of the closing auction in share trading volumes", Franck Raillon, AMF, October 2019.

AMAFI believes that a shorter trading day is unlikely to have any effect on the volume of trading activity. Given the current situation, shortening the trading day would more likely result in a more even distribution of volumes throughout the day.

With regard to international investors, it is also highly unlikely that a later opening would prevent Asian or U.S investors from trading. A shorter trading day would still provide an overlap with afternoon trading sessions in Asian exchanges and morning trading sessions in U.S markets.

2.1 Synchronisation of Trading Hours

Would there be any benefits to venues opening or closing at different times?

AMAFI believes that there would not be any benefits to venues opening or closing at different times. We believe that such differences would harm liquidity and create an unnecessary distortion of competition.

While it can be envisaged that exchanges push for a coordinated and synchronised approach to shorten the trading day, it is not clear if and how MTFs and SIs would follow through. We believe it is necessary that MTFs align their trading hours with those of the exchanges. However, for regulatory reasons, some Bank SI activity happens after trading hours.

We believe that regulatory and supervisory convergence on the issue of trading hours would be welcome by market participants, and would allow for a coordinated approach to reduce trading hours in European venues.

2.2 Benchmarks

What changes would be required for benchmark calculation in the case of trading hours being modified?

AMAFI does not see what changes would be required in this area, except for benchmarks involving stocks from various exchanges.

2.3 Settlement and Reference Price

Do you expect different trading hours to have a positive, negative or no influence on the calculation of the reference or settlement price?

AMAFI expects different trading hours to have no influence on the calculation of the reference or settlement price.

2.4 Options Trading

Would you expect to trade more or fewer options contracts if the underlying were trading for a shorter period of time?

AMAFI does not expect a shorter trading day for equity markets to influence the volumes of options contracts traded. Rather, we believe that an adjustment to the trading hours of the equity options market will be necessary to minimise the potential impact of a shorter trading day on the volumes and liquidity.

2.5 Futures Trading

Would you expect to trade more or fewer futures contracts if the day was shorter?

Considering that some futures markets currently trade until 9:00 PM and that OTC markets are permanently active, we do not expect a shorter trading day on the equity market to influence the volumes of futures contracts traded.

2.6 Equity and Economic Research – Publication

How much of a concern would it be to run an opening auction at the same time as the publication of economic indicators? How can this be mitigated? Should publication of economic indicators or company results be regulated?

Overall, a later opening of the equity markets would provide market participants with more time to process the publication of economic or corporate information potentially important for price formation. We believe that a shorter trading day provides additional time for further processing of relevant information. However, we do not believe it is necessary to regulate the publication of economic indicators or company results.

2.7 Post Trade

What are the implications for post trade of shortening the trading day by either opening later or closing earlier?

We believe that no major implications for post-trade would arise from a shorter trading day. If anything, we believe that a shorter trading day would leave more time for a better management of post-trade procedures (delivery against payment, settlement...). However, the benefits of an early closing should be balanced by the necessity of keeping as much overlap as possible with important international exchanges, notably in the U.S.

2.8 Middle Office, Back Office, Settlement Teams

Are Middle Office and/or Back Office operations linked to the closing times of the stock exchange (i.e. do MO and BO operators have to wait for the close of the market to begin their post-trade operations)?

AMAFI believes that shorter trading days would systematically grant operational teams more time for post-trade operations as well as pre-open procedures.

3.1 Open Later (Continuous Trading)

Preferred opening time: 09:00 London time - 10:00 Paris/Berlin/Rome time

3.2 Close Earlier (Continuous Trading)

Preferred closing time: Status quo

3.3 Keep Opening Auction, Delay Continuous Trading

Would you be in favour of the following opening process: Opening auction at 08:00 London time – 09:00 Paris/Berlin/Rome time then continuous trading at 09:00 London time – 10:00 Paris/Berlin/Rome time

AMAFI is not in favour of establishing a delay between the opening auction and continuous trading. We do not see any advantages in such a change.

3.4 Lunch Break

Would you be in favour of the following alternative: Market closed between 11:00 - 12:00 London time – 12:00 - 13:00 Paris/Berlin/Rome time

AMAFI is not in favour of this alternative.

4.1 Arrival time

At what time do you currently arrive at your office? (please confirm London time or Paris/Berlin/Rome time).

AMAFI has not input to provide for this question

4.2 Alternative to reducing trading hours

What other initiatives can be taken to improve work/life balance and gender equality in the financial industry?

AMAFI has not input to provide for this question

4.3 Mental Wellbeing Improvements

Do you think that opening later will improve gender equality, mental health issues and work/life balance in the industry?

AMAFI has not input to provide for this question

4.4 Open Comment

Please use the space below for any additional comments or input you would like to make.

AMAFI is globally in line with Euronext's proposal to shorten the trading day. We believe that it is a good initiative that will ultimately improve the distribution of liquidity flows through the trading day, foster higher information levels among market participants prior to the opening auction and provide traders and their operational teams with more time to perform pre-open checks and part of the post-trade operations.

However, we strongly believe that such a change should come in a coordinated approach between all EU trading venues, including MTFs. We believe that a unilateral decision implemented by some exchanges to shorten their trading day would further fragment liquidity and would lead to a distortion of competition between trading venues.

Therefore, while AMAFI approves of a shorter trading day and its benefits on the trading conditions, we believe that supervisory convergence is necessary on this issue, and that a successful coordination could only arise from a common regulatory framework outlined in consultation with trading venues and traders.