

Discuss: Competition in Global Exchange Industries and Challenge for Asia-Pacific Exchanges

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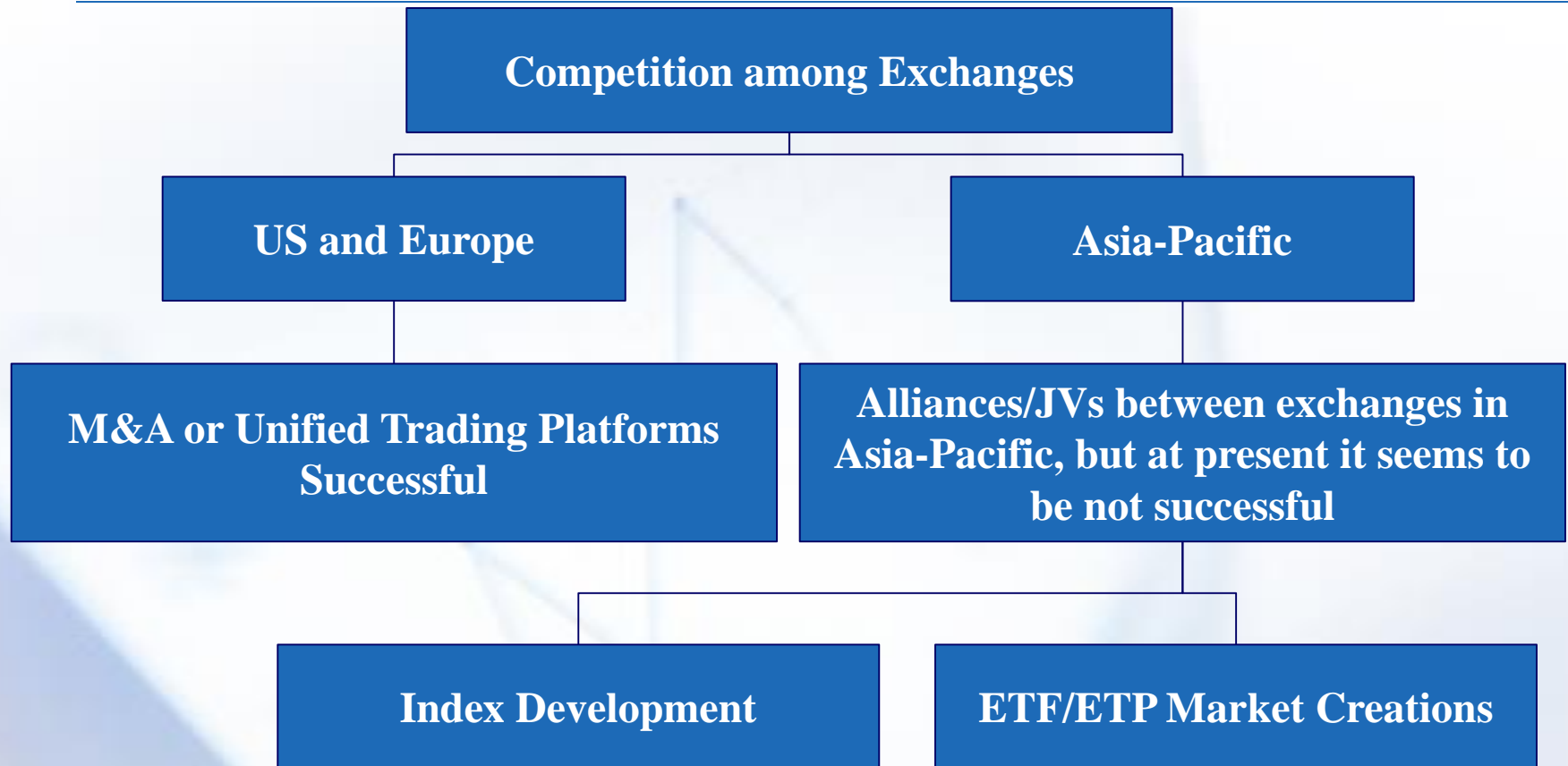


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Brief Summary



ETF/ETP markets facilitate the investment and trading activity in capital market and derivatives market.

ETF/ETP Market Creations?

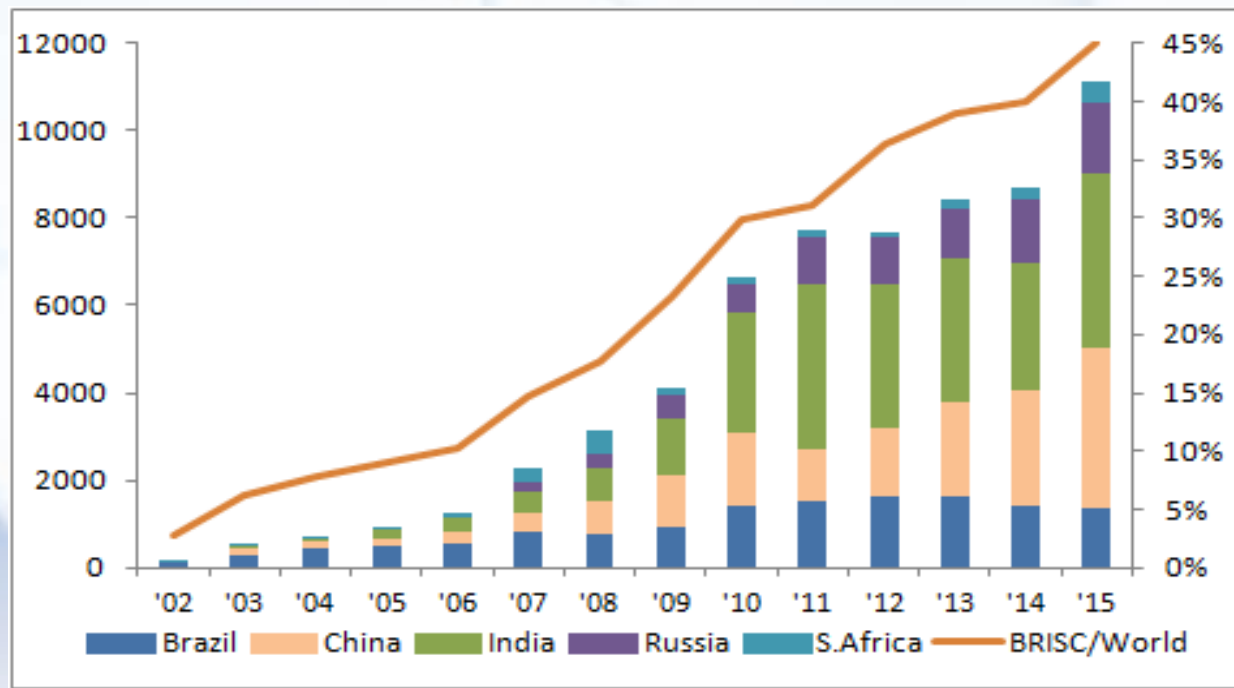
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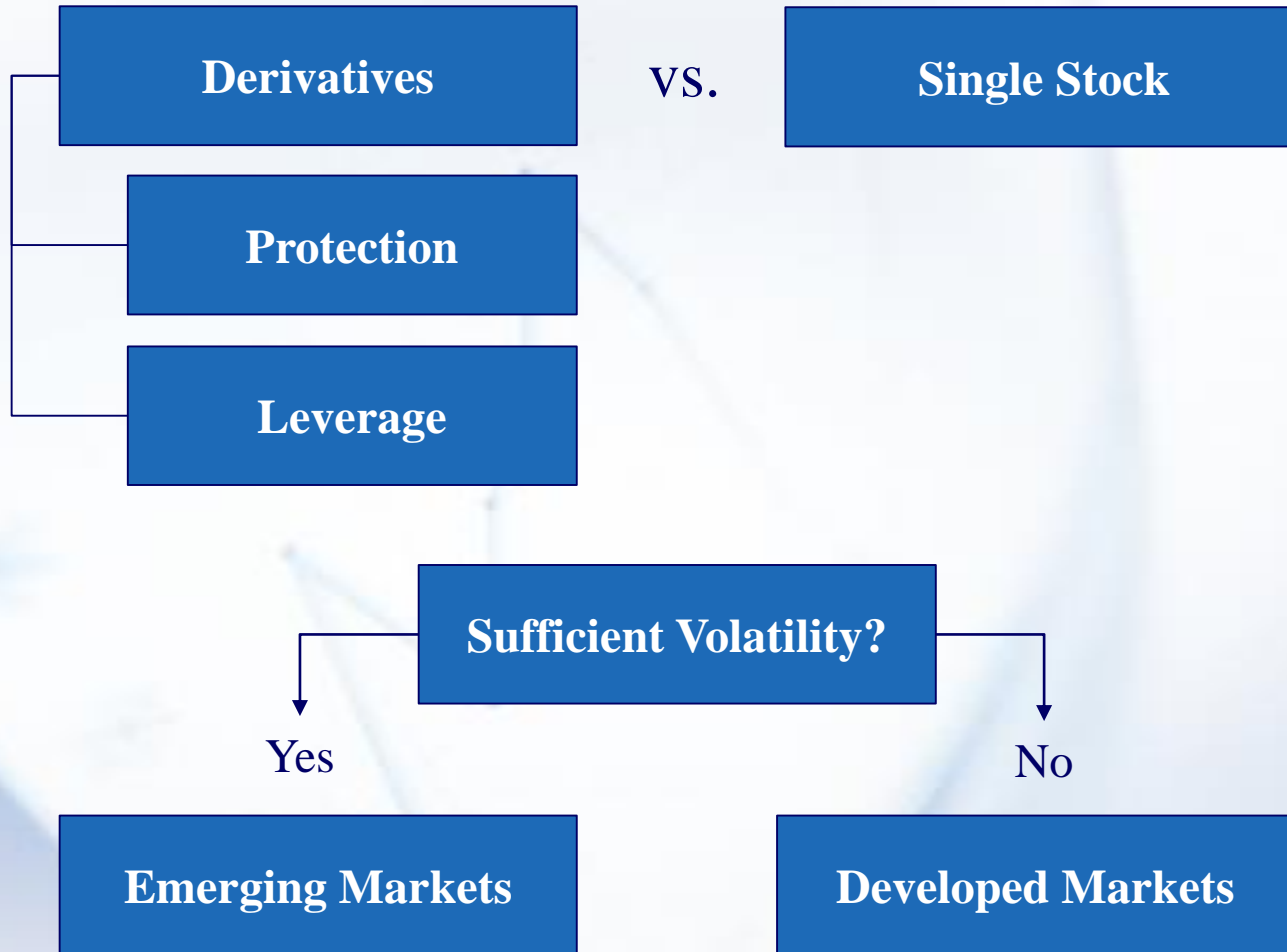
Derivatives vs. Single Stock

- ◆ “Index development and ETF/ETP market creations are proper areas for collaboration.”
- ◆ BRIC(S) or Emerging Markets
 - Choose Derivatives

Proportion of ETD Trading volume of BRICS



Derivatives vs. Single Stock



ETF vs. Single Stock

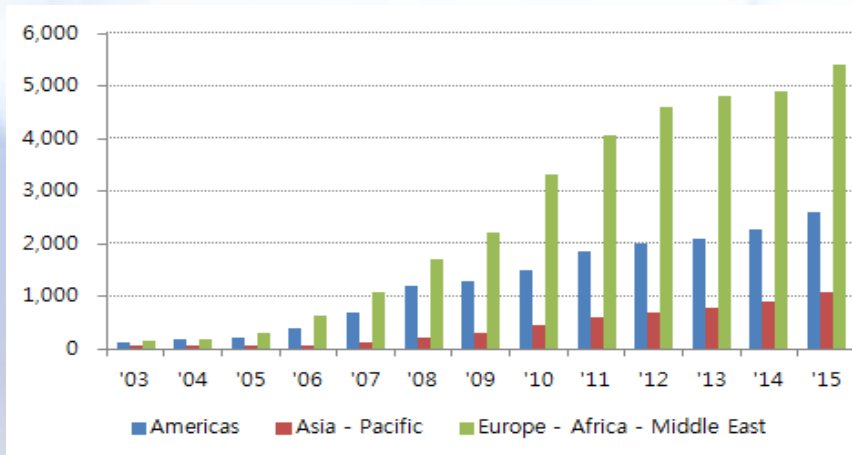
◆ Americas / Europe - Africa - Middle East

- Choose ETF

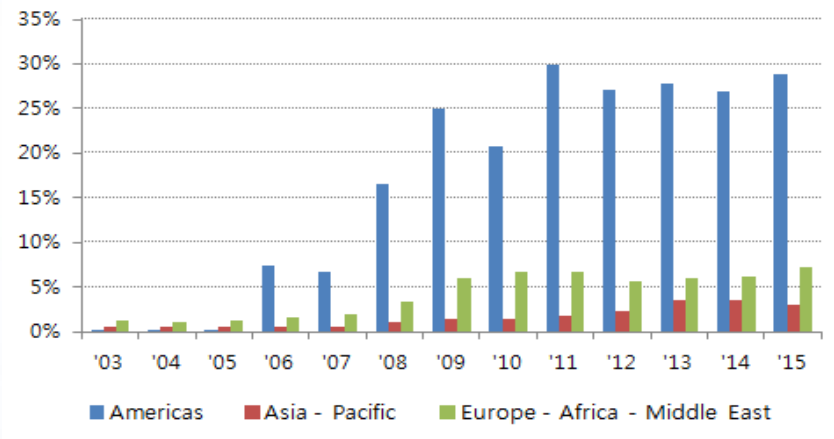
◆ Asia-Pacific

- Choose Stock

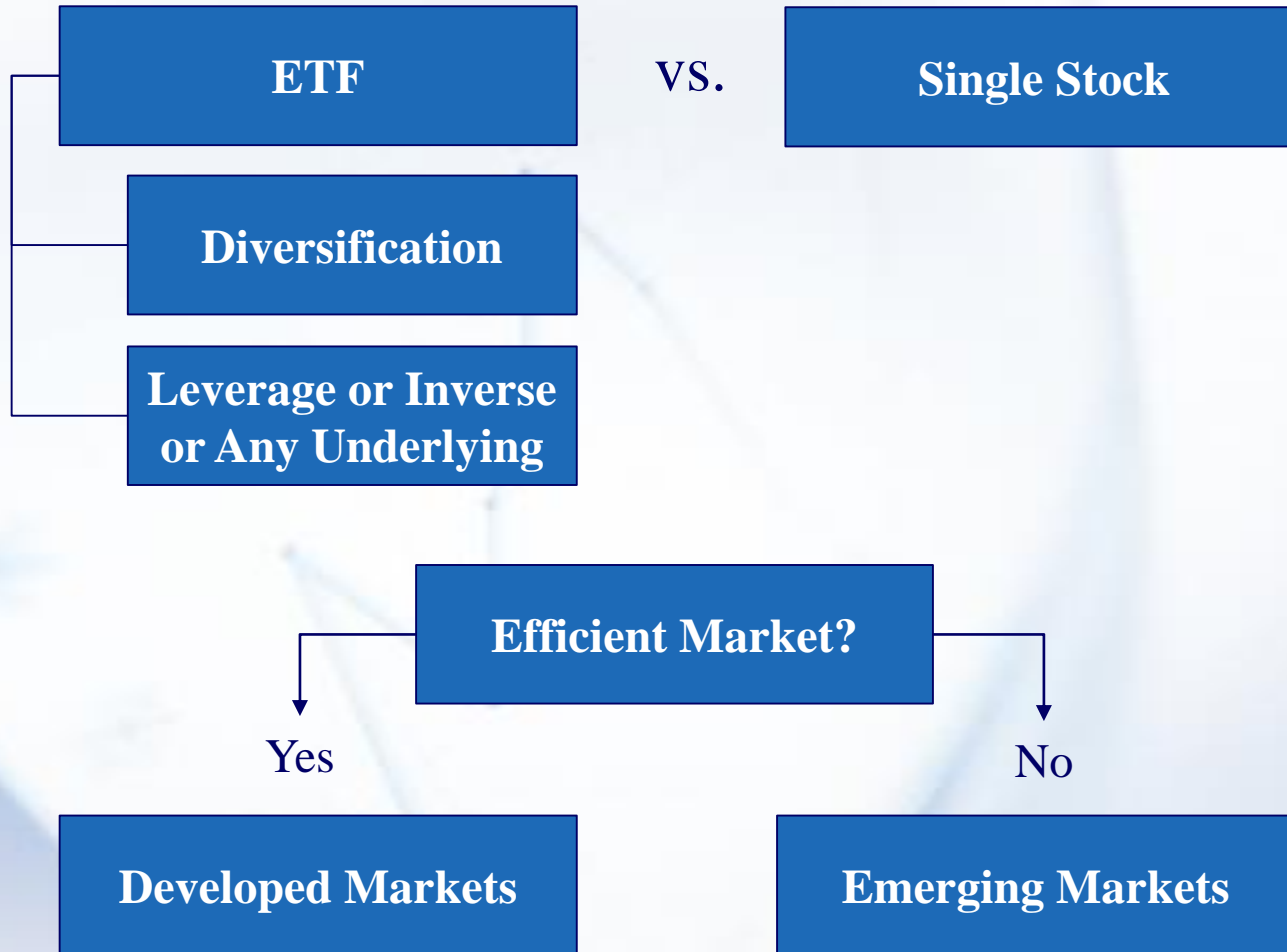
Number of Listed ETFs



ETF / Stock trading amount ratio



ETF vs. Single Stock



ETF vs. Single Stock

◆ Why do not prefer ETF in the emerging markets?

- ETF
 - ETFs generally provide the easy diversification
- In the emerging markets
 - ETF vs. Single Stock
 - Find overvalued or undervalued stocks?
 - Abnormal return

◆ For the success of ETFs, Market Efficiency has to be pursued.

- The proportion of ETF to stocks can be an evidence of market efficiency.

◆ James Tobin

- Identify four efficiency types that could be present in a financial market



Market Efficiency

◆ 1. Information arbitrage efficiency

- Asset prices fully reflect all of the privately available information (the least demanding requirement for efficient market, since arbitrage includes realizable, risk free transactions) It involves only risk-free transactions and the information used for trading is obtained at no cost.

◆ 2. Fundamental valuation efficiency

- Asset prices reflect the expected past flows of payments associated with holding the assets (profit forecasts are correct, they attract investors)

◆ 3. Full insurance efficiency

- It ensures the continuous delivery of goods and services in all contingencies.

◆ 4. Functional/Operational efficiency

- The products and services available at the financial markets are provided for the least cost and are directly useful to the participants.

Colocation and Proximity Service

- ◆ Co-location and proximity hosting refer to data centers that offer an alternative method to brokerage and trading firms seeking the fastest possible access to an exchange's network.
 - Colocation takes place when the Exchange provides connectivity to its execution infrastructure via its own network and hosting in its own data center.
 - Proximity sites are data centers offered by an Exchange or a third-party vendor for low-latency access to an exchange's network via a third-party network connection.
- ◆ Contribution to market efficiency and New sources of revenue of Korea Exchange

Index Developments?

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Which Index?

- ◆ “Index development and ETF/ETP market creations are proper areas for collaboration.”

- ◆ Which Index?
 - Index on Portfolio of KOSPI 200 & Hang Seng
 - The underlying asset of ELS

 - Index on Correlation of KOSPI 200 & Hang Seng
 - Correlation risk!!!
 - Derivatives: Hedging need

 - Index on Skewness of KOSPI 200 or Hang Seng
 - Long tail risk!!!

New Derivatives Products

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New Derivatives Products?

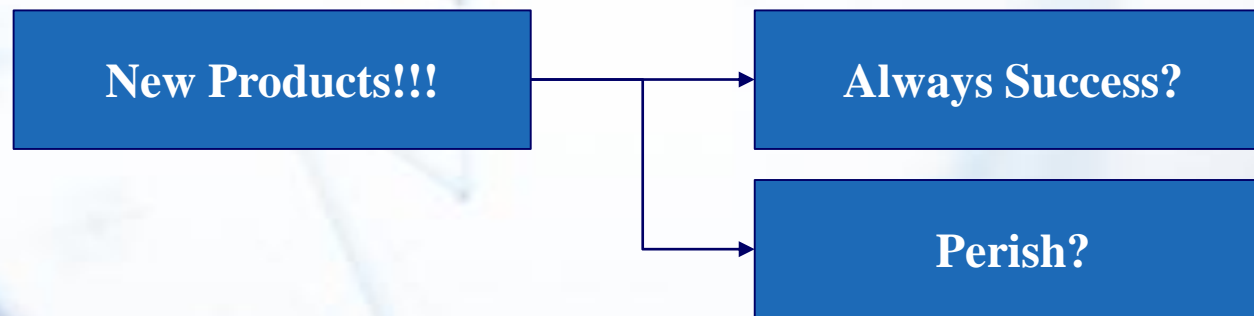
◆ New Derivatives Products

Home » Money

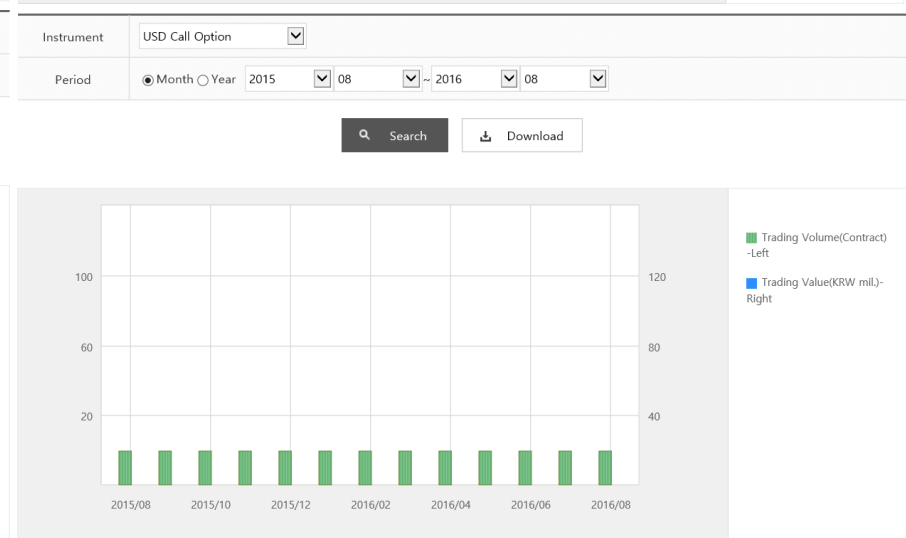
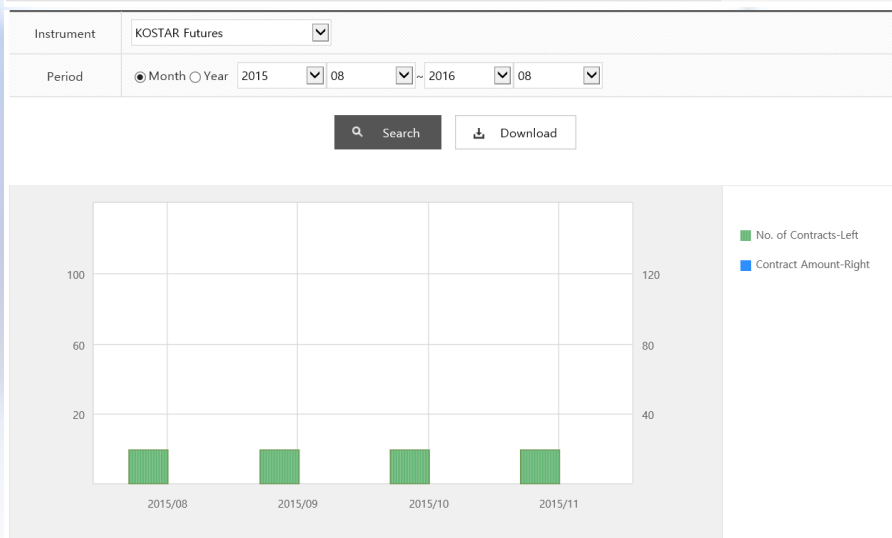
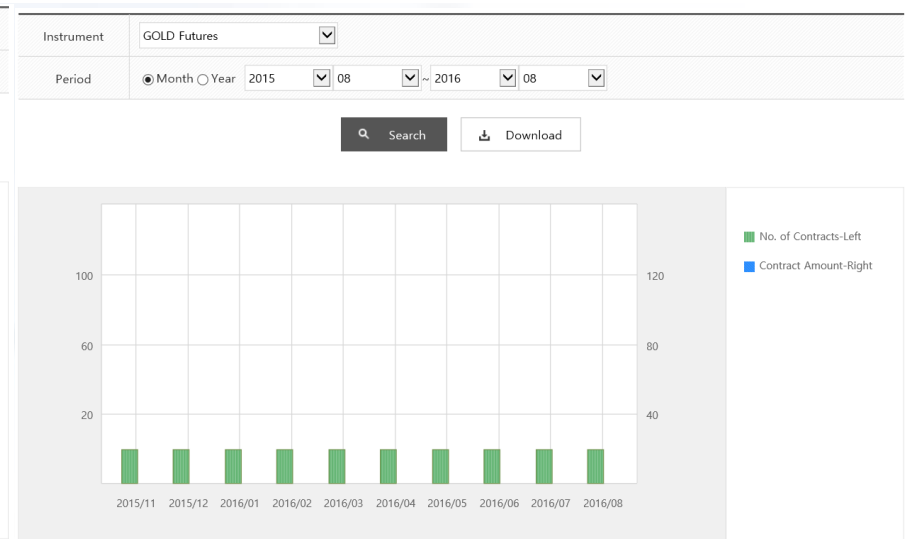
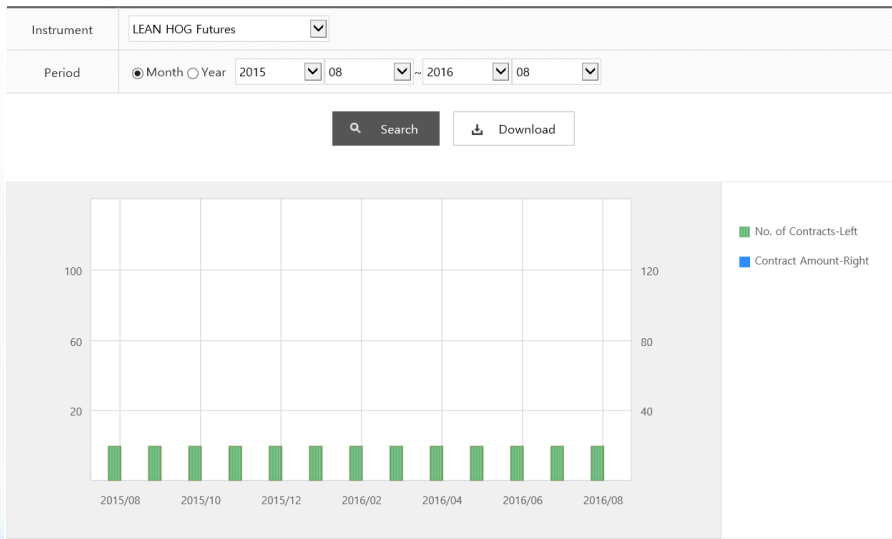
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BSE inks pact with Korea Exchange to list Sensex-based derivatives

The agreement is expected to further the development of derivatives markets in India and South Korea and encourage sharing of information



New Derivatives Products?



New Derivatives Products?



Thank You!

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Profit Diversification

- ◆ (2005) NASDAQ begins offering investor relations, public relations and multimedia services (technology-based monitoring, reporting and marketing) to listed companies to help promote their capital health.
 - Today, this business represents more than 10% of total net revenue.
- ◆ (2007) NASDAQ merges with OMX, a leading exchange operator in the Nordics, to diversify and expand its global footprint, and changes its name to The NASDAQ OMX Group.
- ◆ (2013) The NASDAQ OMX Group acquires Thomson Reuters' investor relations, public relations and Multimedia Solutions businesses, expanding its corporate solutions business. The acquisition makes The NASDAQ OMX Group a leading provider of company solutions to more than 10,000 corporate clients.
- ◆ (2015) Nasdaq acquires index provider and analytics group, Dorsey Wright & Associates, LLC.