

## Establishing a Niche in the Small- to Mid-Cap Market

With the support of NASDAQ OMX, PLUS Markets Group gears up to compete in the MiFID environment.

Just a few years ago, the London Stock Exchange (LSE) was the only trading venue in London. The introduction of the Markets in Financial Instruments Directive (MiFID) in November 2007 opened European markets to competition, and many new entrants have emerged. Among them is PLUS Markets Group, a Recognized Investment Exchange (RIE) in the UK, as well as a Market Operator under MiFID, whose strategic ambition is to establish itself as a leading small and mid-cap equity marketplace in London.

The company began life in the mid-nineties as a matched bargain facility for unlisted securities. It was taken over by new management in 2004 and, in response to heavy demand from London's market makers and brokers for a low-cost alternative to the LSE, was re-launched as PLUS Markets in December 2005. Powered by a new platform supplied by NASDAQ OMX, the exchange has grown exponentially since then to list thousands of UK and European liquid stocks on multiple boards.



The challenge for PLUS Markets in the run-up to MiFID was to establish a solid foundation that would enable it to successfully compete in the new environment. Central to its strategy was the deployment of a technology platform that would be the basis for expansion in a post-MiFID environment.

Toward that end, flexibility and the ability to easily expand functionality and product offerings without costly and time consuming development were key considerations, along with reliability and scalability. And, with a small number of staff, PLUS Markets wanted a provider with the capabilities and expertise to host and manage the platform on a day-to-day basis. As always, time to market was also

a critical consideration. The platform had to be ready when MiFID came into effect in November 2007.

PLUS Markets chose trading and market surveillance technology from NASDAQ OMX. The platform integrated the market leading X-stream trading platform with the SMARTS market surveillance solution. NASDAQ OMX has a sales and development partnership to provide SMARTS' market surveillance solutions to NASDAQ OMX customers. In terms of project timeline, the implementation took six months, making PLUS Markets one of the quickest deliveries in NASDAQ OMX history.

**“We were running on a very short time scale, and the technology was implemented in record time and on budget,”** says Nemone Wynn-Evans, Director of Business Development at PLUS Markets Group. **“It was an absolutely superb achievement to put the platform in place in time for MiFID.”**

The new platform has enabled PLUS Markets to significantly increase its stock coverage. Prior to deploying the new platform, just 1,000 stocks traded on the exchange; now there are more than 7,500 including full coverage of European liquid shares. It is also an extremely cost effective solution since NASDAQ OMX hosts, operates and maintains the platform on PLUS Markets' behalf.

**“The choice of platform,”** according to PLUS Markets 2007 Annual Report, **“was driven by its ability to increase our equity stock coverage and also trade new products, its proven reliability, and the scalability in its trading mechanism.”**

While PLUS Markets has achieved considerable success, it is not resting on its laurels. Its future goals include further leveraging its new technology to become the leading small- and mid-cap stock exchange in London. It plans to do that by building liquidity on the platform, thus enabling customers to achieve best execution for investors. It will

expand into new products such as equity-linked instruments such as warrants and exchange traded funds (ETFs) in line with customer demand. European stocks are traded on PLUS Markets already, but the exchange will look for opportunities to extend its offering. Moreover, as PLUS Markets builds market share, it will generate additional revenue through the sale of market data.

#### **PLUS Markets recognized for Best Trading Platform**

*World Finance*, a leading financial magazine, has honored PLUS Markets with its 2008 Best Trading Platform award. The award recognizes PLUS Markets for launching a world class trading platform in record time to be ready for MiFID in November 2007. Discussing their decision, the *World Finance* panel said, "PLUS Markets Group had been instrumental in providing a viable and alternative service to the more established LSE, while also creating a business model which is both innovative and bold."

In addition to the PLUS-listed market (which is its EU Regulated Market), PLUS Markets offers an Exchange Regulated Market known as the PLUS-quoted market, which competes with the Alternative Investment Market (AIM), the LSE's international market for smaller growing companies. Although the PLUS-quoted market currently lists only 221 stocks, it has been growing year-on-year for the last three years. In 2007 it more than doubled the amount of capital raised compared to the previous year. In contrast, new admissions to AIM have declined over the same period.



Ultimately, PLUS Markets' relationship with NASDAQ OMX and its new technology platform supported a significant expansion of its trading services. Investment firms can meet all their on-exchange and off-exchange execution reporting and transparency needs under MiFID on PLUS. Going forward, the technology will enable the exchange to retain its position as a premier market for listed small- and mid-cap companies. It positions the exchange to introduce new products and build market share in some large-cap stocks if customers demand it. Moreover, the technology will enable PLUS Markets to play a critical role in supporting UK companies to raise small amounts of capital through its PLUS-quoted offering.

Indeed, PLUS Markets is well on its way to reaching its strategic goal to become a leading small and mid-cap equity marketplace in London. In March 2008, PLUS Markets recorded an average of 19,159 trades a day compared to the 16,544 at AIM during the same period, and for most of the first half of 2008, PLUS consistently attracted market share dominance of 50 percent or more (by number of trades) in over 600 small and mid-cap companies. These include more than 380 small and mid caps listed or quoted on the LSE and some 220 PLUS-quoted companies.

"We have a very credible brand proposition in the small- to mid-cap niche," Wynn-Evans concludes. "That brand offering combined with our low cost base, superior technology, and relationship with NASDAQ OMX ensures we are well positioned to gain competitive edge in the future."

#### **Fact Box – PLUS Markets**

PLUS Markets plc is a fully competitive equity stock exchange in London, offering a deep pool of liquidity across over 7,500 UK and European securities. Investment firms trade on PLUS for superior quote-driven execution at low transaction and market data cost. Companies can access capital and profile in London via the PLUS-listed and PLUS-quoted markets.