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Bats Boosts Rebates for Euronext's European Stocks

By Nandini Sukumar

Bats Global Markets' European unit will boost the fee rebates it offers to traders of the biggest Dutch, Belgian and French stocks as the alternative trading system seeks to grab market share from NYSE Euronext.

In June, traders on London-based Bats Europe who add liquidity to the market by posting sale or purchase orders on the book, will get a rebate of 0.5 basis points, increased from 0.2 basis points. Those who take liquidity will still be charged 0.3 basis points. The new prices will apply to stocks listed on NYSE Euronext's Amsterdam Exchanges Index, Belgium's Bel20 Index and France's CAC 40 Index. The rebates will also apply to three exchange traded funds.

"This is pretty aggressive from us," Mark Hemsley, chief executive officer of Bats Europe, said in an interview today. "We are looking to gain market share. This is the first time we've changed our pricing and will monitor the effectiveness of the plan in June."

So-called multilateral trading facilities including Bats Europe are fighting to take market share from traditional exchanges such as London Stock Exchange Group Plc, Deutsche Boerse AG and NYSE Euronext, which have lost about 25 percent of trading. Bats Europe is competing with other MTFs including Chi-X Europe Ltd., the biggest alternative trading system and pan-European market, and Turquoise, set up and owned entirely by investment banks.

Market Share

On March 25, Bats overtook Turquoise in European market share at the close of trading for the first time. Turquoise said the same day it will change its tariffs to counter the threat.

Over the past five days Bats had 2.9 percent of trades on the CAC 40 on average, Turquoise had 3.8 percent, Chi-X had 16.8 percent and NYSE Euronext accounted for 75.7 percent, according to data compiled by Bats.

For the FTSE 100, Bats Europe accounted for 3.4 percent, compared with Turquoise's 5.6 percent and LSE's 71.8 percent while on Germany's DAX, Bats Europe garnered 3.5 percent to Chi-X's 16.4 percent, the data shows.

"We will look at other indexes but haven't made any firm plans yet," Hemsley said today, asked if he will extend the rebates to other countries. "We'll look at this pricing plan first and then see how we go."

Price Changes

In the U.S., Bats changed its prices in January and September of 2007, leading to a surge in market share. The exchange matched 4.07 percent of Nasdaq-listed stocks in December 2006 and took 8.3 percent the following month.

Similarly, Bats accounted for 2.6 percent of NYSE-listed stocks in August 2007. That rose to 7.2 percent in September 2007.

Bats Europe, which follows the so-called maker/taker model, offers a rebate to traders who add liquidity to the market by posting sale or purchase orders. Traders who remove liquidity are charged.

The MTF, which began on Oct. 31 last year, aims to break even by the end of 2010 and to account for about 4 percent to 5 percent of European market share by year-end. Last month Hemsley said he will consider cutting fees to boost business and "it would be nice" to meet his target by summer this year.