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Position of Deutsches Aktieninstitut on proposal to shorten trading hours

Dear Mr Boujnah,

Since autumn last year, certain financial markets representatives propose to adjust trading hours on stock exchanges in Europe. Spearheaded by the Investment Association (IA) and the Association for Financial Markets in Europe (AFME) in their response to the market consultation conducted by the London Stock Exchange Group (LSEG), a shortening of the trading period from 8.5 to 7 hours and a harmonisation of the trading window among stock exchanges are advocated.

From an issuers point of view, listing on a stock exchange provides access to an important source of capital to finance growth and employment. A prerequisite for the willingness of investors to invest in shares and to provide capital for the company is the ability to sell the shares at any time at fair prices in the secondary market. Stock exchanges provide liquidity, transparency and integrity of capital markets as essential ingredients of a fair price formation process.

Systemic Internalisers and the OTC-market are, for no apparent reason, excluded from the scope of the proposal, which appears counterintuitive given the stated concerns around employees' well-being. Any proposal to only reduce exchanges' trading hours neglects the need for buy and sell-side trading desks to be continuously staffed in order to serve Systematic Internalisers and OTC markets. In addition, by excluding these markets of the proposed shortening of trading hours, trading volume will move to these platforms as a result of the later start/earlier closing of stock exchanges. This contributes to the further fragmentation of liquidity in share trading with the risk of higher price fluctuations and a negative impact on the price discovery process. Moreover, it will become more and more difficult for listed companies to track the trading activity in their shares and to maintain a dialogue with investors. As these platforms are "price-takers", it takes much longer until information released by the issuer are adequately reflected in the market prices.

If more trades were executed outside of exchanges, this may impair the exchanges' ability to act as a reference market for alternative trading venues as well as Systematic Internalisers and OTC markets which is their essential contribution to the efficiency and stability of markets – not only but with particular relevance in

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times of heightened volatility amidst market turmoils. This impaired price formation process may transpose into stale prices and higher costs for investors and may diminish their willingness and ability to invest in listed companies.

The proposal would also be detrimental to the attractiveness of capital markets for retail investors: it should be taken into account that there is an increasing demand from European retail investors for longer trading hours so that they can access the financial markets outside their own office hours. By shortening trading hours, retail investors who use stock exchanges as a rule would lose 1.5 hours of trading opportunities. Finally, the different time zones and trading hours within the EU and, even more importantly, Europe's unique geographic location between the United States and Asia should not be neglected. The current European trading hours constitute a competitive advantage that would be jeopardized by a trading period-shortening: European trading hours overlap with United States and Asian trading hours. Thereby, Europe has the advantage of "building the bridging" between Asian and North American markets. A reduction of trading hours can reduce the interest of non-European investors trading European equities. This is especially true and relevant in what concerns the time overlap with the US in the afternoon session, which seems essential for market quality.

Against the background of the above stated arguments and with the current global situation at hand, the negative impact of the proposal to shorten the trading hours prevails. In the interest of stock issuers, retail investors and the efforts to foster the equity culture in Germany and Europe, the current trading hours within the EU should remain untouched.

Yours faithfully



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