

FROM BLOCK LORDS TO BLOCKCHAIN: A BRIEF HISTORY OF SECURITIES DEALERS' ORGANIZATIONAL STRATEGIES

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Chairperson: Associate Professor Wang Jiangyu

24 FEBRUARY 2017, (THURSDAY OR FRIDAY), 2.00 PM – 4.00 PM
NUS BUKIT TIMAH CAMPUS, BLOCK B LEVEL 3, EXECUTIVE SEMINAR ROOM

ABSTRACT

Nearly all securities trading occurs among brokers or dealers. For about 1000 years, merchant firms of varying size and specialization have traded securities among themselves. For most of this time, trades were effected directly and during the two centuries from roughly 1800 to 2000 through quasi-public organizations called "exchanges". Around 2000, the largest broker-dealers began to re-internalize trading into their own proprietary matching platforms.

Although securities exchanges were first established to create monopoly conditions, they also brought efficiency: private ordering among members reduced risks from both counterparties and issuers through vetting and disclosure. Within the exchange, regular operations and transparent protocols democratized the market among broker-dealers, small and large. From the 1930s, these private institutions were brought within formal securities law, so that securities trading was made quite level, with all broker-dealers engaging each other within a transparent arena on which oversight focused. At the turn of the 21st century, however, technology and regulatory reform allowed the largest broker-dealers to escape the transparent egalitarianism that exchanges had become and create their own proprietary trade matching venues.

The story of securities trading has been an evolution from firm to market and back to firm (Coase 1937) in conjunction with varying combinations of formal and informal institutions (North 1990). This evolution has been shaped by law and technology, but driven in its entirety by broker-dealer self-interest. As we approach the end of the era of concentrated trading in highly regulated securities exchanges, this article gives evidence of what we are losing and why. The dismantling of securities exchanges, often understood as embracing innovative technology to stimulate competition and lower prices, is the result of a rational desire of the largest broker-dealers to escape the transparency and democratizing function of regulated securities exchanges so as to return trading to a model in which leading broker-dealers control the nature and direction of the market.

ABOUT THE SPEAKER



David C. Donald is a Professor in the Law Faculty of The Chinese University of Hong Kong. David previously taught at the Institute for Law and Finance of the University of Frankfurt, Germany and worked as a commercial lawyer in the US and Europe. His publications include *A Financial Centre for Two Empires: Hong Kong's Corporate, Securities and Tax Laws in its Transition from Britain to China* (Cambridge, 2014), *The Hong Kong Stock and Futures Exchanges – Law and Microstructure* (Sweet & Maxwell 2012), and (with Andreas Cahn), *Comparative Company*

Law: Texts and Cases on the Laws Governing Corporations in Germany, the UK and the USA (Cambridge 2010). He is participating with scholars from other universities on a Hong Kong Research Grants Council funded project, "Enhancing the Future of Hong Kong as a Leading International Financial Centre." David is currently a member of Hong Kong's Standing Committee for Company Law Reform and the Hong Kong Institute of Chartered Secretaries Academic Advisory Panel. He is also a member of the Higher Education Forum Core Committee and the Council of the World Interdisciplinary Network for Institutional Research (WINIR).

PROGRAMME

2.00 – 2.30 PM : Registration & Tea
2.30 – 3.30 PM : Seminar by Professor David Donald
3.30 – 4.00 PM : Question & Answer Session
4.00 PM : End of Seminar

REGISTRATION

There is no registration fee for this seminar but seats are limited.

Register at <https://tinyurl.com/hktzgpq> or scan the QR Code:



Closing Date: 20 February 2017 (Monday) 12 noon

For enquiries, please contact Ms Atikah at clb@nus.edu.sg



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Training Level: General

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