

Exchanges

5 key topics to monitor @ FIA Boca Conference next week

Industry Overview

Attending the 49th Annual FIA Boca Conference next week

Next week, we will be meeting with dozens of exchange executives, industry experts and securities practitioners at the Futures Industry Association's 49th annual conference in Boca Raton, Florida. FIA Boca is one of the largest annual gatherings of trading executives and features presentations on the hottest topics in the market structure universe. In this report, we highlight five items worth monitoring next week. While not a top 5 topic, we also note that the SEC's equity market structure proposals are still looming in the background, and we could get a rulemaking over the next 60 days.

1) The applications of artificial intelligence in trading

Given OpenAI's rapid progress toward artificial general intelligence in the past year, we will learn more about the emerging use cases of AI in trading. Additionally, we expect to hear how AI is driving demand for exchanges' large data businesses and facilitating electrification in more illiquid asset classes.

2) ODTE drivers and remaining runway

ODTE is now 50% of all SPX volume. We will hear exchange, broker and market maker perspectives on who is driving volumes and where ODTE goes from here (more geographies, more symbols and more series). Additionally, we will learn more about the opportunity for other exchanges (aside from CBOE) to capitalize on the ODTE popularity.

3) Electronic market makers dive into credit

New protocols, tighter spreads and rapid electrification have opened up the US Credit market to electronic market makers. Jane Street was a top-5 market maker on MKTX last year. Meanwhile, Virtu and Citadel Securities debuted their corporate credit businesses in 2022 and 2023, respectively. We expect to hear from Virtu's CEO and Citadel Securities' founder on these endeavors as well as the CEOs of the two major US fixed income e-trading platforms (TW, MKTX).

4) New competition in the interest rate futures market

Despite numerous attempts from credible exchanges (including NDAQ, NYSE, and Eurex) to break into the market over the years, CME has maintained an iron grip on US interest rate futures. With virtually 100% market share, it generates well over \$1B/year in net revenue on its rates suite. Having obtained CFTC approval in January and secured a cross-margining arrangement with LCH, BGC Group will likely again attempt to break CME's hold on the market. We will hear from both BGC CEO Howard Lutnick on his plan to take share and from several CME executives on their defensive strategy.

5) The thawing of the crypto winter

After two years of declining volumes, spot crypto activity has finally inflected upward with volumes increasing 90% q/q in 4Q23. Additionally, the new spot Bitcoin ETFs have raced to \$10B in assets in under a month while CME's crypto futures suite is pushing a multi-year high in open interest. We expect significant discussion on the sustainability of this resurgence and how Trad-Fi firms are responding.

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SEC: Securities and Exchange Commission
CFTC: Commodity Futures Trading Commission
SPX: S&P 500 Index
CME: CME Group
NDAQ: Nasdaq
CBOE: Cboe Global Markets
NYSE: New York Stock Exchange
TW: Tradeweb
MKTX: MarketAxess
ODTE: Zero days till expiration
ETF: Exchange-traded funds
EMM: Electronic market makers

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