

Exchanges

Live from FIA Boca Day 1: Four biggest takeaways so far

Industry Overview

Attending the 49th Annual FIA Boca conference

This week, we are 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. So far, we have attended meetings/presentations with the Commodity Futures Trading Commission (CFTC) Chair Rostin Behnam, TastyTrade (IGG), Intercontinental Exchange (ICE), Hong Kong Exchanges & Clearing (388 HK), Cboe Global Markets (CBOE), BGC Group (BGC), Tradeweb (TW), and Microsoft.

Chair confirms CFTC's view that Ethereum is a commodity

Last week, the Securities and Exchange Commission (SEC) delayed the approval of the Ethereum spot ETF, but CFTC Chair Rostin Behnam stood by his agency's existing stance that Ethereum is a commodity in our meeting. This decision follows earlier statements by the SEC indicating that the vast majority of tokens (excluding Bitcoin) are securities, which could potentially imply that existing Ethereum tokens were issued illegally through unregistered securities offerings and are not suitable for use in ETFs. Unlike Bitcoin, where spot ETFs were green-lit in January, Ethereum leverages a proof-of-stake blockchain that allows users to earn a yield on their positions.

TastyTrade views SPY as a better gateway than SPX

IGG North America CEO JJ Kinahan suggested that SPY options are a better gateway product for retail. He emphasized that the small size and penny spreads make them easy to trade versus the larger SPX contract. Additionally, retail investors are more familiar and comfortable with the SPDR brand. However, he noted that CBOE has made rapid progress in marketing and building out liquidity in its analogous XSP options.

ICE floated as a competitor in treasury central clearing

ICE was floated by conference participants as a potential competitor to the FICC in treasury clearing. As of now, the FICC is the only central counterparty for treasuries, but the SEC's December rulemaking mandated central clearing for a wider swath of market participants, which could create an opening for a new entrant. Additionally, we note that there has been dissatisfaction (particularly from electronic market makers) regarding clearing pricing at the FICC. ICE already has several registered clearinghouses in other asset classes, and treasury clearing could be its beachhead into the US rates market.

High investor interest in the FMX Launch

We note that there has been much higher investor interest around BGC than in prior years due to their upcoming interest rate futures launch. Having obtained CFTC approval in January and secured a cross-margining arrangement with LCH, BGC is again attempting to break CME Group's hold on the US interest rate futures market. The exchange plans to compete by: (1) securing liquidity providers and brokers as strategic partners, (2) having fast and deterministic technology, (3) allowing users to mark out counterparties, (4) offering lower tick sizes, (5) enabling capital saves from cross-margining, and (6) having lower venue fees.

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Glossary

ETF: Exchange-traded fund

FICC: Fixed Income Clearing Corporation

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Underperform	N/A	≥ 20%

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