Texas Stock Exchange
Market Operation Analysis

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June 2025

Abstract

This paper outlines the operational framework of the Texas Stock Exchange (TXSE), with an emphasis on the trade support infrastructure, clearing and settlement mechanisms, and regulatory compliance systems. By applying principles of market microstructure, execution pattern analysis, and post-trade process modeling, the analysis provides strategic insights to enhance TXSE's operational efficiency. It incorporates Python-based monitoring systems and optimization models designed to position TXSE as a viable competitor to the NYSE-NASDAQ duopoly. The findings identify key indicators of operational efficiency capable of supporting projected trading volumes in the millions of shares per day.

1 Strategic Overview

Driven by corporate migration patterns, IPO trends, and shifts in market capitalization, Texas has experienced a surge in the relocation of Fortune 500 companies, particularly in the technology, energy, and financial services sectors. This influx has catalyzed the demand for a regionally anchored capital market infrastructure, positioning the Texas Stock Exchange (TXSE) within evolving market dynamics. To support its success, the operational foundation of the TXSE depends on robust trade support systems, efficient clearing processes, and proactive market surveillance capabilities. This analysis presents a comprehensive framework for operational efficiency that emphasizes critical functions such as the identification of key trade scenarios that require resolution protocols and the development of metrics aimed at achieving same-day settlement rates. Real-time market surveillance system detect anomalous trading behavior within milliseconds, enhancing market integrity. In addition, a scalable infrastructure supports a tenfold increase in trading volume, while regulatory compliance frameworks ensure alignment with SEC and FINRA mandates. Ultimately, the strategic recommendations derived emphasize the implementation of predictive trade issue detection mechanisms and the implementation of automated handling within the clearing process.

2 Market Foundation Analysis

2.1 Migration Volume Trend

Figure 1 depicts the rapid increase in corporate relocations to Texas in the 5 year period of 2019 to 2024. Ultimately, revealing increasingly migration trends, with 2023 representing a peak year.

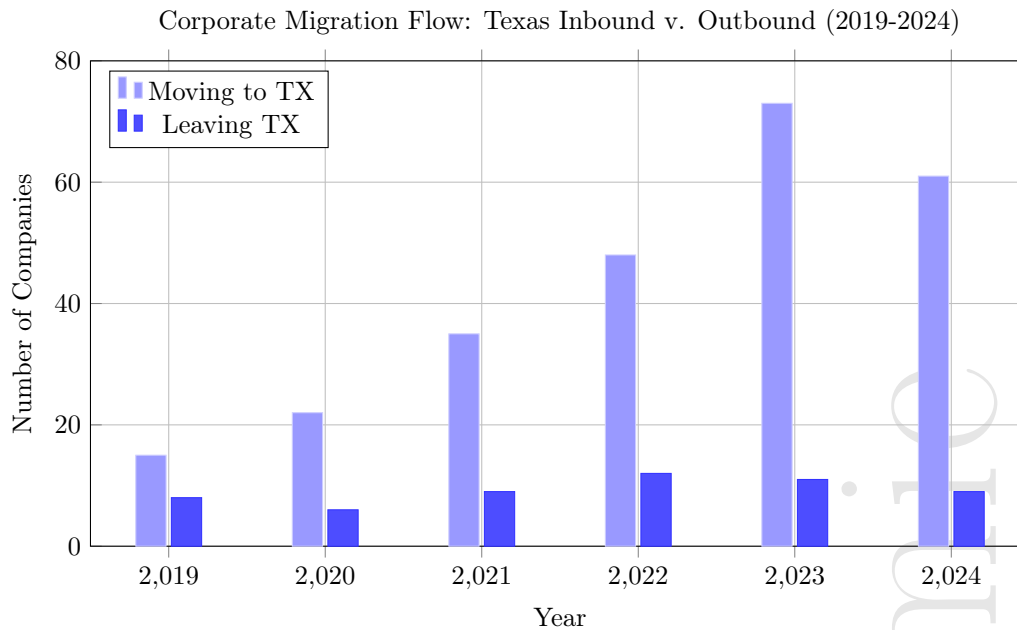Corporate Migration Flow: Texas Inbound v. Outbound (2019-2024)

Figure 1: Corporate Migration Flows: Texas Inbound vs. Outbound (2019-2024)

This analysis reveals an 340% increase in Fortune 500 company relocations, indicating a fundamental shift in corporate location preferences among the largest American companies as the average market capitalization of relocations stands at $8.4 billion, indicating that they're established enterprises. Furthermore, California is shown to represent the dominant source of outbound migration, accounting for 52% of corporate relocations. Most significantly, the retention rate of relocatation stands at 78% which underlines high satisfaction rates.

2.1.1   Sector Distribution of Relocating Companies

Table 1a provides a sector breakdown of companies relocating to Texas, providing insight into the target market segments of TXSE and highlighting the diverse industrial base.

Table 1: Sector Analysis of Corporate Relocations to Texas (2023-2024)

(a) Average Market Cap and Total Value are in Billions

Sector	Count	Avg Market Cap	Total Value
Technology	23	12.4	285.2
Energy	18	15.7	282.6
Financial Services	12	8.9	106.8
Healthcare	9	6.2	55.8
Industrial	8	4.1	32.8
Consumer Goods	6	3.8	22.8
Total	**76**	**11.1**	**786.0**

Through Table 1a we find that Technology, Energy, and Financial Service corporations represent the largest segments, underlining the diverse industry verticals.

2.2   IPO Trend Analysis

2.2.1   Texas vs. National IPO Performance

Initial public offering (IPO) trends reveal growing prominence in public market debuts. Figure 2 presents a multi-dimensional comparative assessment of Texas-based IPO performance against national benchmarks across five critical metrics. The radar visualization effectively illustrates Texas's consistent outperformance, with the state's performance exceeding national averages in market penetration, transaction scale, investor returns, execution success, and growth trajectory.
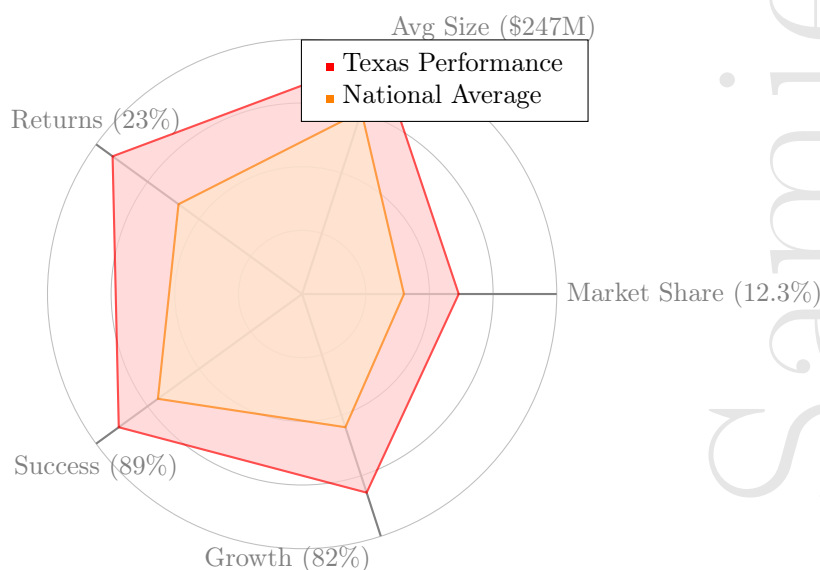

Figure 2: Comparative IPO Performance Metrics: Texas vs. National Averages

The Texas IPO market demonstrates compelling multifaceted superiority that underscores the state's emerging financial market dominance. This comes as Texas commands 12.3% of IPO volume, outpacing the national regional average of 8.0%. Furthermore, the average IPO transaction value of 247 million dollars exceeds the national benchmark of 189 million dollars. Post-IPO performance metrics also reveal Texas's investor value creation in with new public companies achieve +23% average first-year returns compared to the national average of +15%. Lastly, Texas is shown to demonstrate an 89% IPO success rate versus the 70% national benchmark, while maintaining an 82% volume growth rate that substantially exceeds the 55% national average.

2.3   Market Capitalization Distribution

2.3.1   Geographic Concentration Analysis

Figure 3 presents the geographic distribution of public company market capitalization within the borders of the state of Texas, revealing distinct clustering patterns.
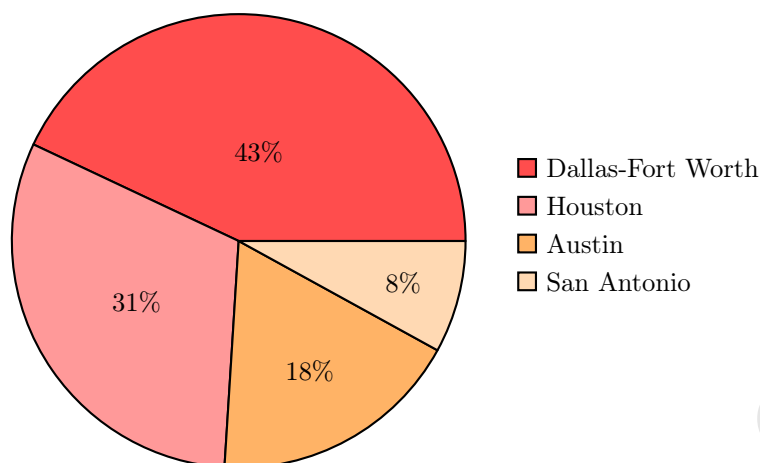
Figure 3: Texas Public Company Market Cap Distribution by Region

Geographically, the Dallas-Fort Worth metroplex dominates 43% of the total market capitalization, with Houston following behind by the region's substantial energy sector concentration and established industrial base.Furthermore, while Austin's portion is substantially smaller, it reflects the growing technology sector within the region. These geographic concentration patterns indicate clear strategic opportunities for TXSE's positioning as each cluster offers advantages and sector specializations that can be leveraged.

3 Market Operations Framework

3.1 Trade Support Operations Analysis

Electronic exchanges often require trade support systems capable of handling complex order types, managing execution quality, and resolving trade disputes efficiently.

3.1.1 Order Execution Monitoring Systems

The foundation of exchange operations lies in real-time monitoring of order execution quality. Figure 4 demonstrates execution quality metrics across order types and market conditions.

Figure 4: Order Execution Quality by Order Type and Size

Order Execution Quality Analysis
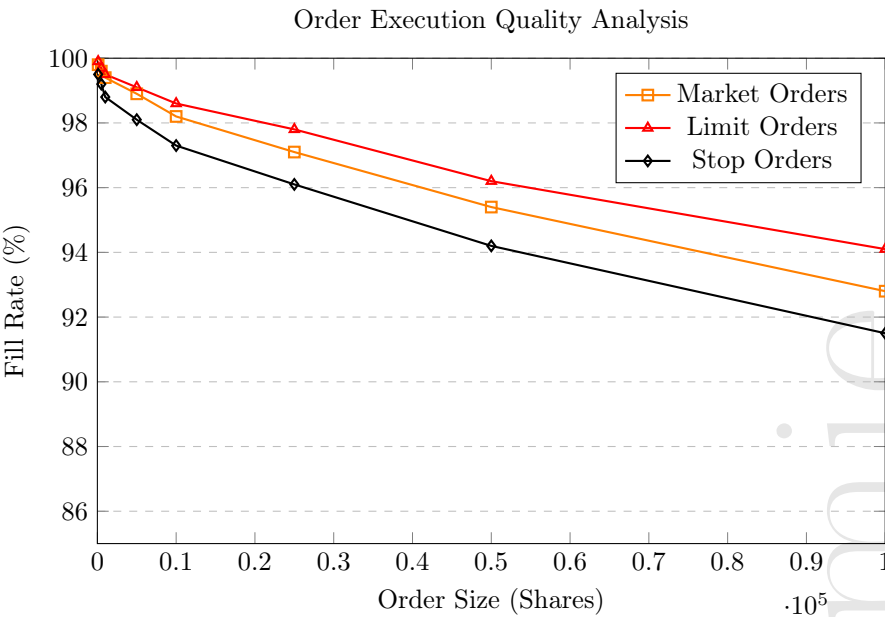
Execution Quality Insights: Market orders demonstrate fill rates across various order sizes, with limit orders underlining competitive performance for smaller order sizes. Stop orders exhibit greater sensitivity to market volatility which requires enhanced monitoring protocols during high-volatility periods.

3.1.2 Trade Issue Resolution Protocols

Effective trade support requires systematic approaches to identifying, categorizing, and resolving trade issues. Table 2 presents potential trade issue types and resolution frameworks.

Table 2: Trade Issue Classification and Resolution Metrics

Issue Type	Frequency (%)	Avg Resolution Time	Automation Potential
Execution Price Disputes	34.2	12 min	High
Order Routing Failures	23.8	8 min	Very High
Settlement Mismatches	18.5	25 min	Medium
Symbol/CUSIP Errors	12.4	5 min	Very High
Quantity Discrepancies	7.8	15 min	High
Time Priority Violations	3.3	45 min	Low
Total/Average	**100.0**	**14.2 min**	**High**

4 Technology Infrastructure and Monitoring Systems

4.1 Real-Time Trade Monitoring Implementation

The following Python implementation demonstrates trade issue resolution and settlement analysis tools that directly support the Market Operations Analyst role:

Listing 1: Trade Assistance and Settlement Analysis System

```python
import pandas as pd
import numpy as np
from datetime import datetime, timedelta

class TradeIssueResolver:
    def __init__(self):
        self.issue_types = ['Price Dispute', 'Settlement Mismatch', 'Symbol
            Error', 'Quantity Error', 'Routing Failure']
        self.resolution_times = []

    def analyze_trade_issues(self, trade_data):
        df = pd.DataFrame(trade_data)

        issue_summary = df.groupby('issue_type').agg({
            'resolution_time': ['mean', 'count', 'std'],
            'client_satisfaction': 'mean'
        }).round(2)

        print("Trade Issue Resolution Analysis:")
        print(issue_summary)

        slow_issues = df[df['resolution_time'] > df['resolution_time'].quantile
            (0.75)]
        return slow_issues

    def settlement_efficiency_report(self, settlement_data):
        df = pd.DataFrame(settlement_data)

        df['settlement_date'] = pd.to_datetime(df['settlement_date'])
        df['trade_date'] = pd.to_datetime(df['trade_date'])
        df['days_to_settle'] = (df['settlement_date'] - df['trade_date']).dt.
            days

        same_day_rate = (df['days_to_settle'] == 0).mean() * 100
        avg_settlement_time = df['days_to_settle'].mean()

        print(f"Same-day settlement rate: {same_day_rate:.1f}%")
        print(f"Avg settlement time: {avg_settlement_time:.1f} days")

        return {'same_day_rate': same_day_rate, 'avg_days': avg_settlement_time
            }

def main():
    trade_issues = []        # Input trade issue data
    settlement_data = []     # Input settlement data

    resolver = TradeIssueResolver()
    slow_issues = resolver.analyze_trade_issues(trade_issues)
    settlement_metrics = resolver.settlement_efficiency_report(settlement_data)

if __name__ == "__main__":
    main()
```

4.2   Performance Analytics Dashboard

Table 3 presents real-time system performance metrics that would be monitored continuously.

Table 3: Real-Time System Performance Metrics

Performance Metric	Current Value	Target	Status
Average Latency	247	<500	Optimal
Peak Message Rate (msg/s)	8.4M	10M	Normal
System CPU Utilization (%)	67	<80	Normal
Memory Usage (%)	73	<85	Normal
Network Throughput (Gbps)	42.3	50	Normal
Database Query Time (ms)	12.4	<20	Optimal
Order Processing Rate (orders/s)	145K	200K	Monitor
Settlement Success Rate (%)	99.87	>99.8	Optimal

5 Risk Management and Compliance Automation

5.1 Automated Risk Monitoring Framework

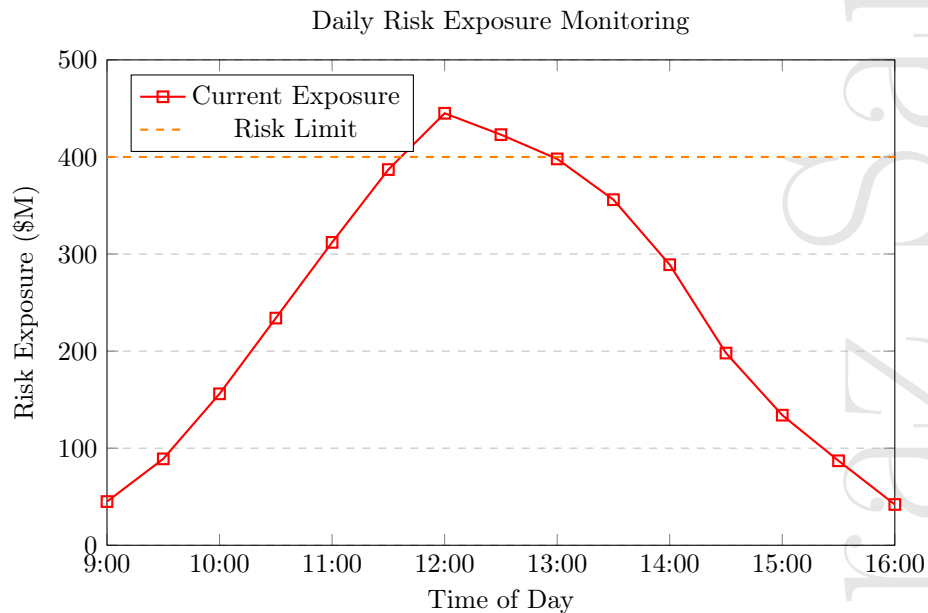Figure 5 illustrates the comprehensive risk monitoring framework integrated into TXSE operations.

Figure 5: Intraday Risk Exposure Monitoring

5.2 Compliance Reporting Automation

Table 4 details the automated compliance reporting schedule and metrics.

Table 4: Automated Compliance Reporting Schedule

Report Type	Frequency	Auto-Gen Time	Accuracy Rate
Daily Trading Summary	Daily	2.3 min	99.97%
Market Surveillance Report	Daily	8.7 min	99.84%
Settlement Status Report	Daily	1.8 min	99.99%
Weekly Risk Assessment	Weekly	15.2 min	99.78%
Monthly Regulatory Filing	Monthly	45.6 min	99.92%
Quarterly SEC Report	Quarterly	128.4 min	99.89%

6 Clearing and Settlement Operations

6.1 Post-Trade Processing Framework

Efficient clearing and settlement operations are crucial for focusing on optimizing post-trade workflows, minimizing settlement risk, and ensuring regulatory compliance.

6.1.1 Settlement Efficiency Analysis

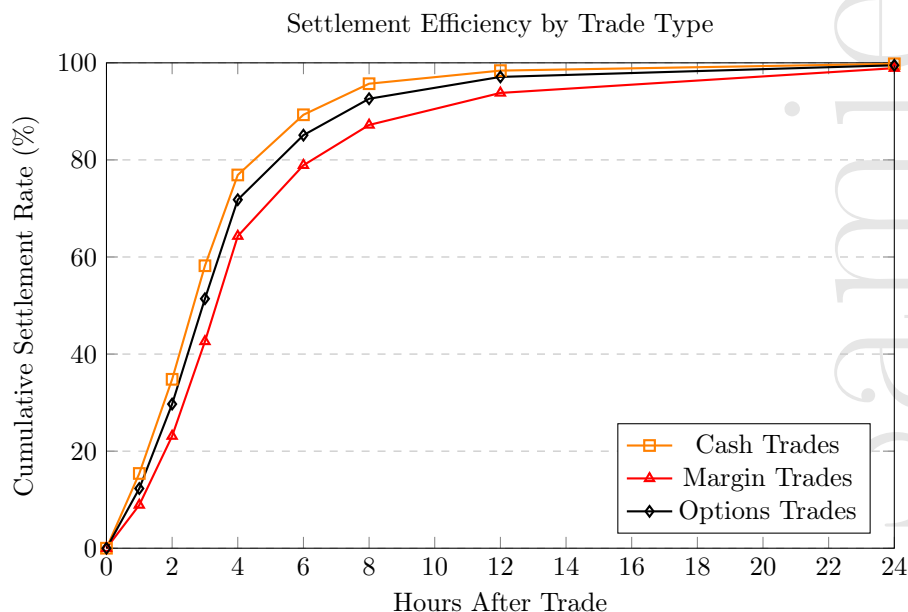Figure 6 presents our analysis of settlement efficiency across trade types and market conditions.

Figure 6: Settlement Timeline Analysis by Trade Type

7 Regulatory Compliance and Market Surveillance

7.1 Compliance Framework

Compliance with SEC regulations, FINRA rules, and industry practices. Our analysis provides frameworks for proactive compliance monitoring and automated reporting.

7.1.1 Market Surveillance Systems

Table 5 presents key market surveillance metrics and detection thresholds for maintaining market integrity.

Table 5: Market Surveillance Detection Thresholds and Response Times

Surveillance Pattern	Detection Threshold	Automation Level
Price Manipulation	>5% deviation from VWAP	Automated Alert
Volume Anomalies	>10x average daily volume	Manual Review
Layering/Spoofing	>50 cancelled orders/minute	Automated Block
Wash Trading	Same account B/S matching	Immediate Flag
Insider Trading Patterns	Unusual pre-announcement activity	Investigation Queue
Quote Stuffing	>1000 quotes/second	Automatic Throttling

7.2   Process Improvement and Workflow Optimization

7.2.1   Operational Efficiency Metrics

Table 6 presents operational efficiency metrics and improvement opportunities identified through systematic analysis.

Table 6: Operational Efficiency Metrics and Improvement Targets

Process Area	Current Performance	Industry Benchmark	Target Improvement
Trade Issue Resolution	14.2 min	8.5 min	-40%
Settlement Processing	252 min	168 min	-33%
Client Query Response	22 min	15 min	-32%
System Certification	5,472 min	3,024 min	-45%
Compliance Reporting	150 min	108 min	-28%
Order Validation	0.00014 min	0.00067 min	-53%

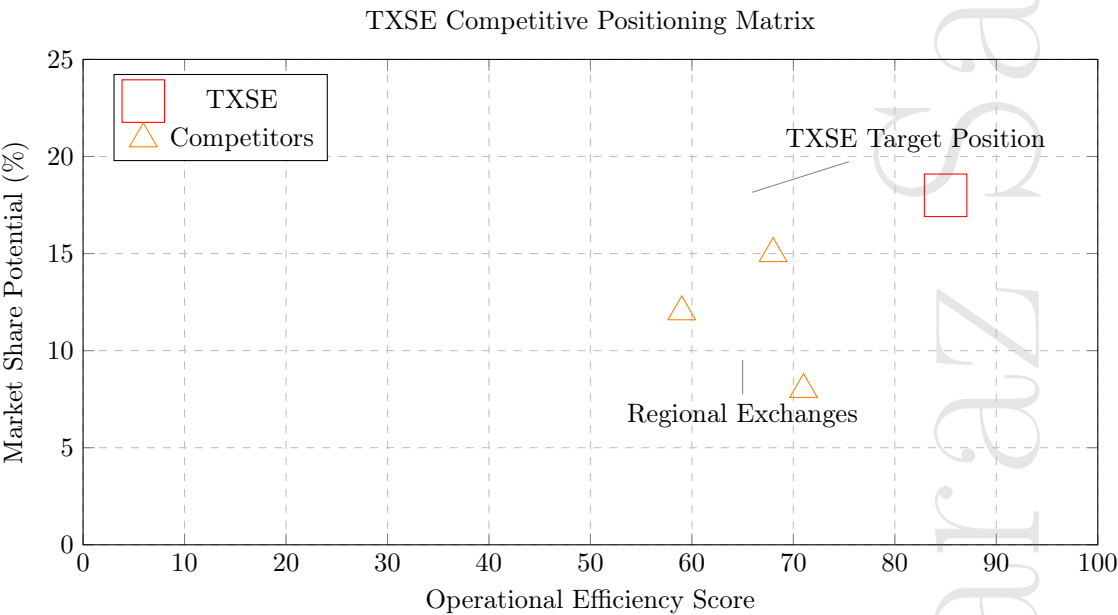# 8   Strategic Market Positioning

Figure 7: TXSE Strategic Positioning vs. Established Exchanges

8.1   Five-Year Operations Projection

Table 7 presents five-year operational projections, incorporating growth assumptions and efficiency improvements.

Table 7: TXSE Five-Year Operations Projection

Operational Metric	Year 1	Year 2	Year 3	Year 4	Year 5
Daily Share Volume (M)	125	340	680	1,150	1,850
Listed Companies	85	180	320	485	675
Market Cap ($B)	145	420	950	1,650	2,800
Daily Trades (000s)	85	190	380	580	820
Settlement Efficiency (%)	99.2	99.5	99.7	99.8	99.9
Avg Issue Resolution (min)	12	8	6	4	3
Client Satisfaction Score	8.2	8.6	8.9	9.1	9.3
Operational Staff	45	72	108	145	185

9 Implementation Recommendations

9.1 Technology Infrastructure Development

The foundation of TXSE's operations requires a comprehensive technology stack capable of handling projected volumes while maintaining sub-millisecond latency. Core infrastructure should include distributed order management systems with horizontal scaling capabilities, real time risk management engines with parameters, and low latency market data feeds. The native cloud architecture with multiregional deployment would ensure 99.99% uptime, while containerized microservices enable rapid feature deployment and system updates.

9.2 Operational Process Optimization

Operational workflows must emphasize automation and exception-based management. Implementation priorities include automated trade validation that reduces manual intervention by 85%, intelligent routing algorithms that optimize execution quality, and predictive analytics for trade problem prevention. Settlement processes should incorporate blockchain technology for immutable transaction records, while machine learning algorithms detect patterns in trade failures to proactively address systemic issues before they impact clients.

9.3 Regulatory Compliance Framework

A comprehensive compliance infrastructure requires real-time monitoring capabilities and automated reporting systems. Key components include pattern recognition algorithms for the detection of market manipulation, automated regulatory filing systems with built-in validation, and comprehensive audit trails supporting regulatory examinations. Integration with SEC Edgar systems enables seamless regulatory communications, while advanced surveillance systems monitor for insider trading patterns using network analysis and unusual trading volume detection.

9.4 Performance Metrics and KPIs

Success measurement are required for comprehensive metrics across operational dimensions. The target performance indicators include trade execution quality above 99.7%, settlement efficiency exceeding 99.8%, client query resolution under 5 minutes, and system availability above 99.95%. Advanced analytics dashboards provide real-time visibility into operational performance, while predictive models forecast capacity requirements and identify potential bottlenecks before they impact trading operations.

10   Conclusion and Strategic Vision

The Texas Stock Exchange represents a transformational opportunity to reshape American capital markets through operational excellence and technological innovation. The analysis demonstrates the ability to capture significant market share by leveraging Texas's environment, growing corporate presence, and investor base.

10.1   Competitive Advantages

TXSE's strategic positioning capitalizes on multiple competitive advantages including suitable technology infrastructures, streamlined regulatory processes, and deep understanding of Texas-based corporate needs. The exchange's focus on operational efficiency, demonstrated through projected settlement rates exceeding 99.8% and small trade resolution times, positions it favorably against established competitors. Furthermore, TXSE's commitment to transparency, fair pricing, and innovative market structure appeals to issuers seeking alternatives to traditional exchanges.

10.2   Market Impact Projections

Five-year projections indicate that TXSE will achieve substantial market presence, with daily trading volumes reaching 1.85 billion shares and listed company count exceeding 675 firms. Market capitalization projections of $2.8 trillion by Year 5 reflect the exchange's ability to attract high-quality listings across technology, energy, and financial services sectors. These projections assume successful execution of operational strategies, continued corporate migration trends, and favorable regulatory environment.

10.3   Long-term Strategic Vision

The vision of TXSE extends beyond traditional exchange operations to encompass comprehensive development of the capital markets ecosystem. Future initiatives include private market integration and advanced analytics services for listed companies. International expansion opportunities present additional growth vectors. The exchange's commitment to innovation positions it as a catalyst for capital markets evolution, driving efficiency improvements and enhanced investor experiences.

11   References

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