HMRC - STSM121020 - Background: Big Bang

In the late 1970s the London Stock Exchange (LSE) came under pressure to reform its structure and practices. This led, in 1986, to a number of changes to the LSE rules, the most significant of which was the introduction of electronic, screen based trading. These changes were referred to as “Big Bang” because of the immediate increase in market activity that they were expected to generate.

Other changes included:

the introduction of negotiated commission rates against previous minimum fixed commission rates

banks and other financial institutions were able to join the LSE themselves and to run broking firms, with many existing firms being bought by UK and overseas banks and other financial institutions

all firms became broker/dealers meaning that they had the capacity to act as an agency broker and also to register as market makers buying and selling shares on their own account

Electronic trading was done using a new computer system, which initially operated alongside the trading floor. However, the electronic system was so successful that trading on the floor was abandoned after a few weeks.

Previous page

Next page