

# 15.566: Information Technology as an Integrating Force in Manufacturing

## Class #8: INFORMATION TECHNOLOGY IN FINANCIAL MARKETS

Spring 1998  
Sloan School of Management  
Massachusetts Institute of Technology

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## NYSE TRADING FLOOR (1930 and 1964)

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## TRADING TICKETS

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SEND TO	BILL	BR				
		D	Q			
BOT		SOLD				
00 @ _____						
ACK CR CSM FFC KII HAL						
HIC LRI RHH SPC SPCprm						
G/U		B/N		T		
LVS COMP		MCT		OPEN STOP		LMT
EXEC PR		HENDERSON BROTHERS, INC.		600-1000		COMM REL F
X						215
THIS IS NOT A REPORT						

BOT		SOLD	
00			
QTY	G/U	B/N	T
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EXEC PR	PAUL A. CANDELETTI		CB# 498
	DEUTSCHE MORGAN GRENELL INC.		
B/N 1900	NN11	DMG	

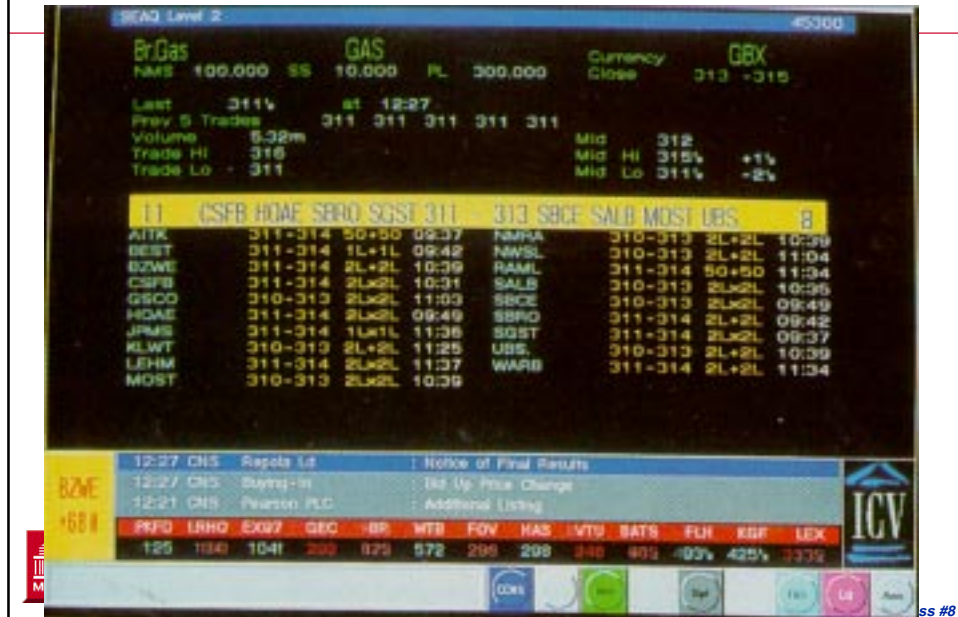
## LONDON STOCK EXCHANGE TRADING FLOOR BEFORE THE “BIG BANG” (27 October 1986)

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## SEAQ SCREEN FOR BRITISH GAS (1995)



## THE TRANSFORMATION OF THE LONDON STOCK EXCHANGE

“Big Bang” on 27 October 1986:

- ended fixed commissions
- opened membership to non-UK firms
- allowed dual capacity operations (jobber and broker)
- introduced SEAQ, a screen-based quotation system

Daily volume (in \$billion)	1985	1992	1994	1995
London Stock Exchange	\$0.28	\$2.6	\$4.1	\$4.6
New York Stock Exchange	\$3.9	\$6.9	\$9.8	\$12.7
LSE as % of NYSE	7.2%	38.0%	41.9%	36.1%
NASDAQ	\$1.0	\$3.5	\$5.8	\$9.80
LSE as % of NASDAQ	28.0%	74.4%	71.0%	49.0%
FTSE 100 Stocks Bid-Ask	1.0%	0.8%	0.8%	0.7%
Avg Institutional Commission	0.33%	0.17%	0.18%	0.16%



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## 7 THE TRANSFORMATION OF THE LONDON STOCK EXCHANGE (Cont'd)

### “Big Bang” Results:

- Return on capital from 1987-1990 for LSE member firms was *negative 2%*
- **Winners**
  - institutional investors
  - the Exchange
- **Losers**
  - member firms
  - broker-dealer intermediaries
- **Responses**
  - whining as a strategy
  - “fair weather” market making
  - delayed large trade publication



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### NYSE TRADING FLOOR (1994)



## NYSE TRADING FLOOR (1997)

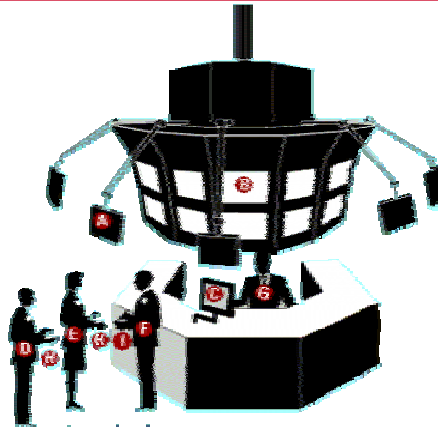
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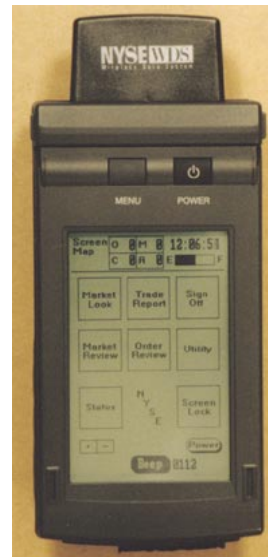
## NYSE Trading Post (1997)

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A typical trading post:

- A: Post information display
- B: Flat-panel display screen
- C: Point-of-sale workstation
- D: Broker
- E: Broker
- F: Specialist
- G: Specialist trading assistant
- H: Wireless data system
- I: Wireless data system



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