

A comprehensive package
of innovative features:

THE FUTURE OF ITALIAN MARKETS

Christophe Grosset, Spectrum Markets' European Sales Director, explains why Italian investors are ready and willing to embrace a better way of trading.



Mr. Grosset, how would you characterise the Italian market for structured investment and trading products in a European context?

For many years, there was a strong culture of bonds trading among Italian retail clients, which bore obvious similarities to investment and trading patterns prevalent across Europe. While Italy was the first European country to introduce certificates trading in 1989, there was hardly any demand for these products at the time. Unlike in Germany, for instance, where the securitised derivatives market grew steadily after launching in 1998. However, according to the latest figures from EUSIPA¹ and ACEPI², today the Italian market for securitised derivatives is the third largest in Europe measured by exchange turnover.

How would you explain this?

It makes sense from a proportional perspective: Italy is the third largest economy among EU-27 countries in terms of GDP. But that's not all there is to it. In Italy we see a relatively clear separation between self-driven retail investors and those using the services of an advisor. There is a clear distinction between these two groups in terms of the products and asset classes they will use. To continue the comparison with Germany, while Germany's more risk-averse investors turned away from the market after the financial crisis of 2008/2009, the Italian market for structured investment products began to grow. At first, this led to stronger development in investment products, followed by a resurgence of interest in trading products.

At Spectrum, you offer investment products, right?

We began by offering leveraged securitised derivatives; the Turbo24 on underlyings such as indices, currency pairs, commodities and single shares. It is interesting that, unlike in any other European country, Turbos really began as a niche product in Italy. Thanks to facilities offered by Spectrum, this is changing. The next move is to diversify the types of investment products available to trade via Spectrum, bringing the same level of service and innovation required by intermediaries and advisors for their clients.

Is that the reason Intermonte, not exactly a small Italian investment bank and broker, chose to partner with you?

Intermonte is a renowned institution firmly rooted in the Italian capital market with an established franchise across asset classes and market segments. So, a product offering that is more considerate of Italian investors' preferences is definitely a plus. But I think it's rather the comprehensive package of innovative features that attracts partners, all of which is offered in an on-venue format with extremely competitive conditions. Intermonte is also bringing access to a new products provider into Italy.

And from Spectrum's Perspective, what was the reason for entering in Italy, apart from its size?

We've been observing a worldwide trend towards more informed individual decision making driven by technological progress. Which is why we were convinced that there is a significant market for personal finance in a standardised manner and which led to the establishment of Spectrum Markets in the first place. This trend is certainly amplified by the prevailing interest rate environment. Then again, this is not an idiosyncrasy of the Italian market, but is true of all European markets.

In this case, what is it about the Italian Market that makes it ripe for change?

In Italy, the landscape has been characterised by large players and intermediaries that have developed real expertise but are now limited in their innovation process due to stock exchange infrastructure that is unable to keep up with the speed of innovation. That is where we identified opportunities because, as far as market access is concerned, there hasn't been much competition before.

How will Spectrum make a difference?

The features we provide add substantial value to Italian investors' investment and trading habits. As a multilateral trading facility (MTF), regulated under the terms of MiFID II, we abide by the highest operational safety and transparency rules, including pre-trade transparency. In combination with Spectrum's unique features such as trading 24/5 at a pan-European level, we believe this makes a significant difference.

Though the platform is not open to retail clients directly, is it?

No, but our focus is on retail investor needs. We attract brokers and banks and connect advisor networks. Spectrum provides the connection between issuers and members of the venue; the issuers' products will meet a European demand. One passported ISIN makes this a virtually effortless exercise.

Products can be issued on demand with intraday issuance, where issuers want to replace or create new securitised derivatives. Brokers benefit from easy connectivity and attractive membership conditions. These advantages can be passed-on to the end clients.

For Spectrum's members, our truly European reach and the venue's convenient setup will create ample opportunities to provide a high level of liquidity and to further serve and better target the emerging needs of their clients, traders or investors.

Why do you think these features are so advantageous for retail investors?

The technological leaps of recent years have led to massive shifts in the patterns of consumer behaviour. People expect ultra-high levels of service, swift response times and consistent transparency. This development originated in e-commerce where it revolutionised the order process. Today, entire value chains are digital while large parts of the stock market industry still treat retail investors as if this paradigm change didn't happen at all. As a result, trades are still executed over the counter most of the time because on-venue execution has previously been too expensive, inefficient or both. At Spectrum Markets, we have set out to close this gap and provide retail investors with an unparalleled on-venue trading experience. The growth rate of the trading volumes on our platform is proof that we are succeeding.

Thank you very much!

¹ European Structured Investment Products Association
² Associazione Italiana Certificati e Prodotti d'Investimento

today to discuss how the seamless market access that our venue provides, can help to grow your retail client business.

Please don't hesitate to get in touch if you wish to receive further detail.

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Spectrum is the trading name of Spectrum MTF Operator GmbH. Headquartered in Frankfurt, Germany, we offer a new way of dealing in securitised derivatives for the European retail market; introducing a purpose built 24/5 lit trading venue, with complete transparency, increased choice and maximum control.