



Analysis

How to Create Opportunities in a Fractured European Marketplace

Rob Coole



Rob Coole
Vice President of Cloud
Technologies
IPC

Biography

Rob Coole is Vice President of Cloud Technologies at IPC (<https://www.ipc.com>). He has an accomplished career in finance and technology, spanning over two decades, and has a wide range of industry knowledge, including with regards to Voice over Internet Protocol (VoIP), unified communications and network design.

Previously, Rob held the position of Head of Global Solutions at Speakerbus.

Prior to joining Speakerbus, Rob worked at BT for over ten years, holding roles such as Product Specialist and Senior Sales Engineer.

Keywords Brexit, European Union (EU), Trading, Data centres, Stock exchanges, Markets, Connectivity
Paper type Opinion

Abstract

Euronext's recent announcement of its intended move from the Basildon data centre, in the UK, to Bergamo in Italy, is making waves amongst equity market participants. Euronext's decision is primarily due to Brexit considerations, such as the post-Brexit shift in European share trading from London to Amsterdam. For the exchange operator, it therefore makes sense to consolidate its operations in a single, EU based data centre – and keeps other key stakeholders, such as EU regulators, happy as well. In this article, the author discusses solving trading challenges in a post-Brexit world, as well as what is required to find opportunities in changing times.

Introduction

Earlier in the year, Euronext, the global exchange group operating in Europe, announced that it will be relocating its primary data centre and related colocation services. The move will see the data centre migrate from Basildon, in the United Kingdom, to Bergamo in northern Italy. The decision can primarily be attributed to the impact of Brexit, which has created an unpredictable and volatile regulatory environment, while it has also resulted in European share trading transitioning away from London to Amsterdam. What is more, Euronext's announcement in October



Analysis

2020 that it had agreed to acquire Borsa Italiana, the Milan based Italian stock exchange, has also contributed to its decision to relocate its data centre. This is due to Borsa Italiana currently using the Bergamo data centre, which is less than 50 miles from the stock exchange's headquarters in Milan, as its current disaster recovery centre. As such, it makes sense for the exchange operator to function from a single, EU-based data centre, ensuring key stakeholders and EU regulators remain content.

The planned move, which is scheduled to take place in the second quarter of 2022, has caused issues amongst those trading firms currently co-locating with Euronext in Basildon. Further to this, there are even concerns for those companies that aren't co-locating but are currently utilizing nearby facilities in the southeast of the UK. This is because the increased distance means these organizations will need to consider relocation themselves to avoid any potential latency increases. Additionally, when transitioning from one data centre to another, simultaneous connections to both the old and new location must be in place for a short period of time. The connection needs to be running simultaneously for a short while to prevent a complete outage during the changeover between data centres.



Trading challenges

Euronext is not the only exchange operator planning a move, with the London Stock Exchange (LSE) also preparing to relocate. However, this move is far less extreme, as it will only be from the City of London to the Isle of Dogs, which are only a matter of miles from one another. At the time of writing, the full effect of Brexit on exchanges and trading venues has not yet been observed. Nevertheless, as the EU continues to re-evaluate and potentially reinforce its cross-border regulatory regime, there is the possibility that a greater amount of activity could transition to



continental Europe. A host of factors, such as geopolitical tensions and the location and availability of third-party service providers also have the potential to result in further movements in the future.

Furthermore, the changes to working locations and routines caused by the ongoing Covid-19 pandemic has called into question our previous thoughts regarding what business continuity and disaster recovery should look like. As a result of these changes, new connectivity needs for market participants have emerged. Combined, these shifts could lead to trading activity becoming even more fragmented than it already is, with the possibility that trading could take place in multiple centres internationally. What's more, Euronext's move has the potential to result in Italy emerging as a centre for European equity trading, with other cities like Amsterdam, Frankfurt, London and Paris becoming regional hubs when it comes to equity trading activity in Europe.



Discovering opportunities in transition

In a constantly changing world, with markets continuing to evolve, market participants must be capable of maintaining their edge over competitors. They must ensure they are able to move to locations where they are required, while they need to have the capacity to access the markets and services they require in the timescales given. Nevertheless, from changes come opportunities. Trading strategies can be re-evaluated, thought can be given to new third-party service providers (like extranets, hosting and infrastructure services etc.) and the possibilities of cutting costs, improving the trading experience, and increasing operational efficiencies can be examined.

In times of uncertainty, being able to readily access a fit-for-purpose ecosystem is a vital differentiator, as well as a necessity, for trading firms. The ready-made ecosystem should provide connectivity to all major centres, in the form of adaptive on-demand connectivity which utilizes several flexible channels and solutions, in addition to co-location services. This connectivity could be facilitated by an organization providing the trading company with both turnkey access through numerous solutions and the use of its ecosystem.