

Creating a larger, more liquid European equity derivatives market

As Cboe Europe Derivatives (CEDX) goes live, Ade Cordell, president of Cboe NL, and Conor McCann, head of European derivatives sales at SIG, which has committed to being a market-maker in CEDX index options products, discuss their expectations for the new market.

Cboe Europe Derivatives (CEDX) is a groundbreaking new pan-European equity derivatives marketplace which launched on Monday September 6, 2021.

CEDX is bringing a modern, on-screen market structure - that closely resembles the vibrant US model - to Europe, an approach we believe will grow the region's equity derivatives market overall. EuroCCP, Cboe's pan-European clearing operator, is providing clearing services for the platform.

By adopting a pan-European model, CEDX will provide all market participants with the ability to trade a variety of single country and pan-European index futures and options through a single access point, creating meaningful efficiencies in trading and clearing. The design of this market has been shaped by the needs of our clients and



broader industry participants and is part of Cboe's corporate mission to build one of the world's largest global derivatives and securities networks.

In this Q&A, The TRADE speaks with Ade Cordell, president of Cboe NL, and Conor McCann, head of European Derivatives Sales at SIG, a market-maker in CEDX index options products, about the new exchange.

Ade, what are your expectations for the exchange in its first few months, and what milestones will you be targeting?

As with the launch of any new market, our sole focus initially has been on a smooth go-live from a technical and operational

standpoint and we have been pleased with our progress to date. From a participant perspective, we secured a range of launch participants, including banks, clearing firms, market makers and proprietary trading firms and are excited to be working with a second phase of participants to join CEDX later this year. We believe we will be in a position to judge the initial success of the exchange from a volume and open interest perspective once these firms are participating. We are also putting in place plans for our phase two products, including further single country index futures and options contracts, before bringing single stock options on stream.

Conor, connecting to a new exchange is not a decision market-makers take lightly. What was it that convinced SIG to participate on Cboe Europe Derivatives?

At SIG we are believers of strong electronic orderbooks as a means of creating transparency and efficiency in the price determination of exchange listed derivatives products. We appreciate Cboe's efforts to invest in the derivatives marketplace and want to play our part in giving their initiative the best opportunity to succeed. We take our role in growing and developing the derivatives market in Europe seriously and are very interested in supporting initiatives that are seeking to enhance transparency and make a larger, thicker, more liquid central orderbook for these products. Over the last number of years we have been proactive in supporting new products and initiatives across all derivative markets in Europe and we believe CEDX's product offering and roadmap will complement the derivative landscape in Europe.

Connecting to CEDX allows end users to get exposure to pan-European products on one venue. Given our expertise in providing liquidity across all major markets in Europe, we are well placed to provide liquidity here as well.

How will Cboe Europe Derivatives be complementary/additive to Europe's existing equity derivatives market structure?

CEDX shares our commitment to creating a transparent marketplace. We believe Cboe's existing operations and reputation can help lead to new participants entering the European derivatives market. Having products which offer a pan-European exposure listed on one venue is also a compelling offering for end users who are looking to develop strategies in Europe.



Ade Cordell, president, Cboe NL



Conor McCann, head of European derivatives sales, SIG

What are some of the benefits that you foresee accruing to end investors from this new exchange?

A new exchange gives further opportunity to grow volumes meeting in the central orderbook. Trading and liquidity begets further trading and liquidity. We believe that a more robust orderbook can grow out of more participants matching electronically, giving every participant more confidence in the market and creating more opportunities for those looking to utilise European derivative products in their strategies. Having pan-European products listed on one venue also presents margin efficiencies which is a net benefit to the market. This should allow a wider range of strategies to be deployed in Europe further

growing derivative volumes. How will Cboe Europe Derivatives help facilitate what SIG offers the marketplace?

We are active directly in the electronic orderbook as liquidity providers. An increase in the volume going through this central orderbook would naturally lead to an increase in our own volumes and opportunity to execute our own trading. In addition to our activity in the electronic orderbook we also offer direct client pricing services to our institutional customers. A thicker, stronger, more liquid central order book can increase our confidence in the broad range of listed derivatives products that we provide this pricing in. An improved liquidity profile in our markets can help facilitate our hedging activity and the efficiencies here can benefit our clients in the shape of tighter spreads and ability to manage larger requests.

Ade, leaving the final word with you, how important is it to CEDX to have the support of firms like SIG?

Our primary objective with CEDX is to create a healthy, vibrant and diverse liquidity pool, which grows Europe's derivatives market overall and creates new investing opportunities for all participants. Having a core group of market makers quoting on our platform will be key to its success and we're therefore delighted that SIG was one of the firms supporting us from launch and contributing to its liquidity profile. As a leading options market maker, their participation is a clear demonstration of the potential benefits CEDX can bring to the European marketplace.