

OPPORTUNITY #36

WILL EXCHANGES AND RELATED PLATFORMS
EVENTUALLY MERGE?

MERGED MARKETS

A single global exchange platform for
all investors, big and small

Volumes of global
M&A reached

\$4.4
trillion

by mid-October 2021,
compared with **\$2.3 trillion**
in the whole of 2020.

WHY IT MATTERS TODAY

Mergers and acquisitions (M&A) are driving consolidation across the business world and in the stock exchanges where financial trade takes place.

Volumes of global M&A reached \$4.4 trillion by mid-October 2021, compared with \$2.3 trillion in the whole of 2020.³⁶⁵ Even the number of deals by mid-October 2021 was 28% above the 35,722 deals in the whole of 2020.³⁶⁶ Deal-making activities worldwide could hit a record \$6 trillion by the end of 2021.³⁶⁷

In the Middle East, deal volumes also increased with 307 deals in the first half of 2021, an increase of 59% when compared to the same period in 2020 and an increase of 48% compared to the second half of 2020.³⁶⁸

Increased M&A activity was also seen at the stock exchange level. There were 30 M&A deals valued at \$21 billion in 2020 compared with 24 valued at \$28 billion in 2019.³⁶⁹ These deals not only apply to exchanges themselves but to other data providers, analytics and financial technology players that facilitate trading in the global markets.

SECTORS



Deal-making activities worldwide could hit a record

\$6 trillion

by the end of 2021

THE OPPORTUNITY TOMORROW

The trend of consolidation among stock exchanges and allied businesses is leading towards all global stock exchanges merging into one market or very few smaller markets, enabled by perfect high-speed, low-latency connectivity. This trajectory is supported by other trends such as digitisation, cryptocurrencies, the Islamic digital economy, foreign exchange markets and private trading platforms for financial assets. Regulation and supervision can then be consolidated into a single global authority which is able to set global rules.

BENEFITS

Harmonisation of regulation and supervision. More efficient markets, enabled by greater transparency and higher trading volumes, combine to drive transaction costs close to zero.

RISKS

The risks include loss of systemic resilience as there is no alternative if the market crashes or is attacked, potential loss of efficiency for smaller economies and homogenisation of investment stifling market innovation.