

# ***RECONSTRUCTING CONFIDENCE*** ***REDISCOVERING ROOTS***

*the evolution of the new york stock exchange  
and today's market structure*

*Kenny Polcari*

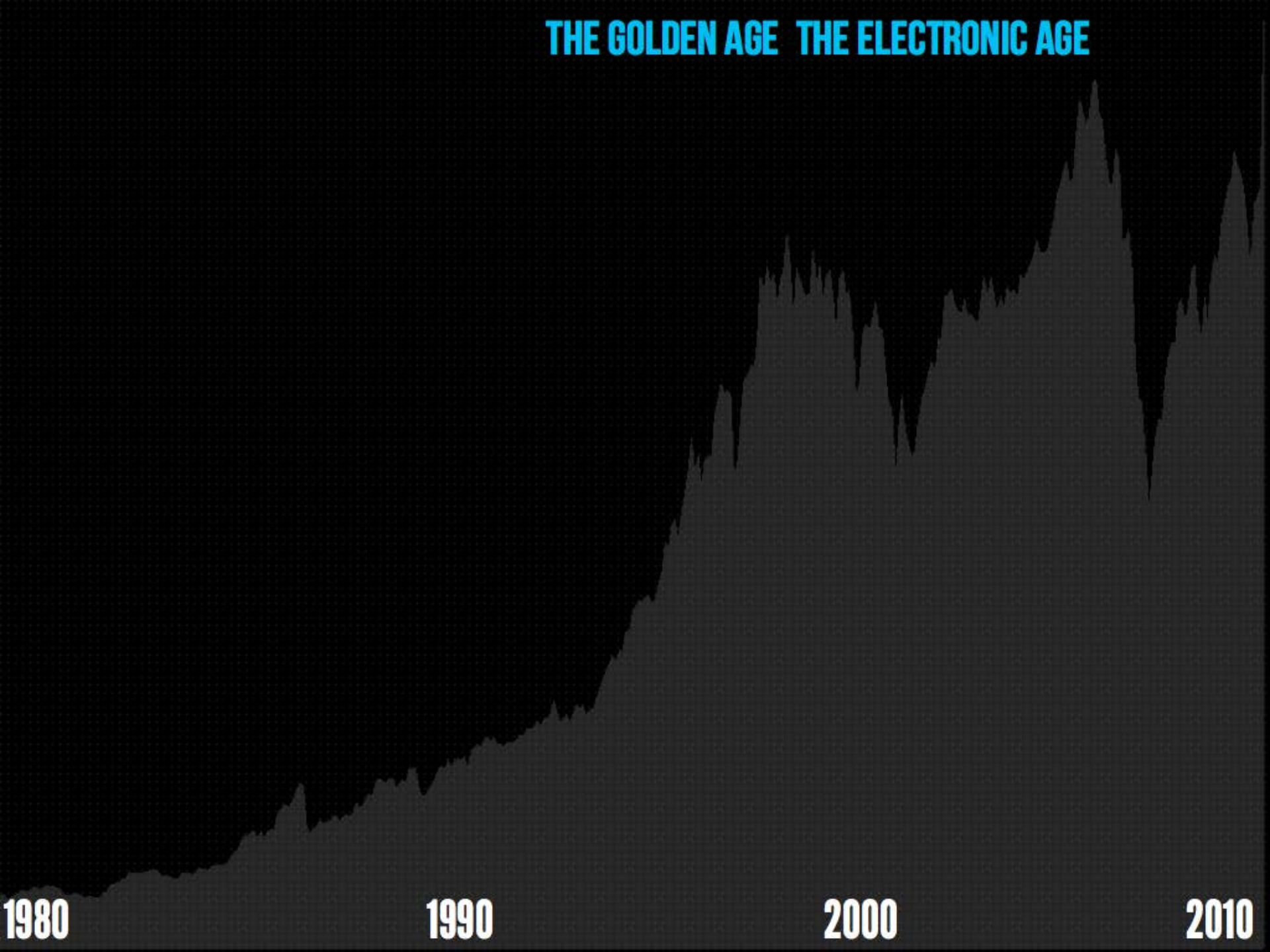
# THE GOLDEN AGE THE ELECTRONIC AGE

1980

1990

2000

2010



THE GOLDEN AGE THE ELECTRONIC AGE

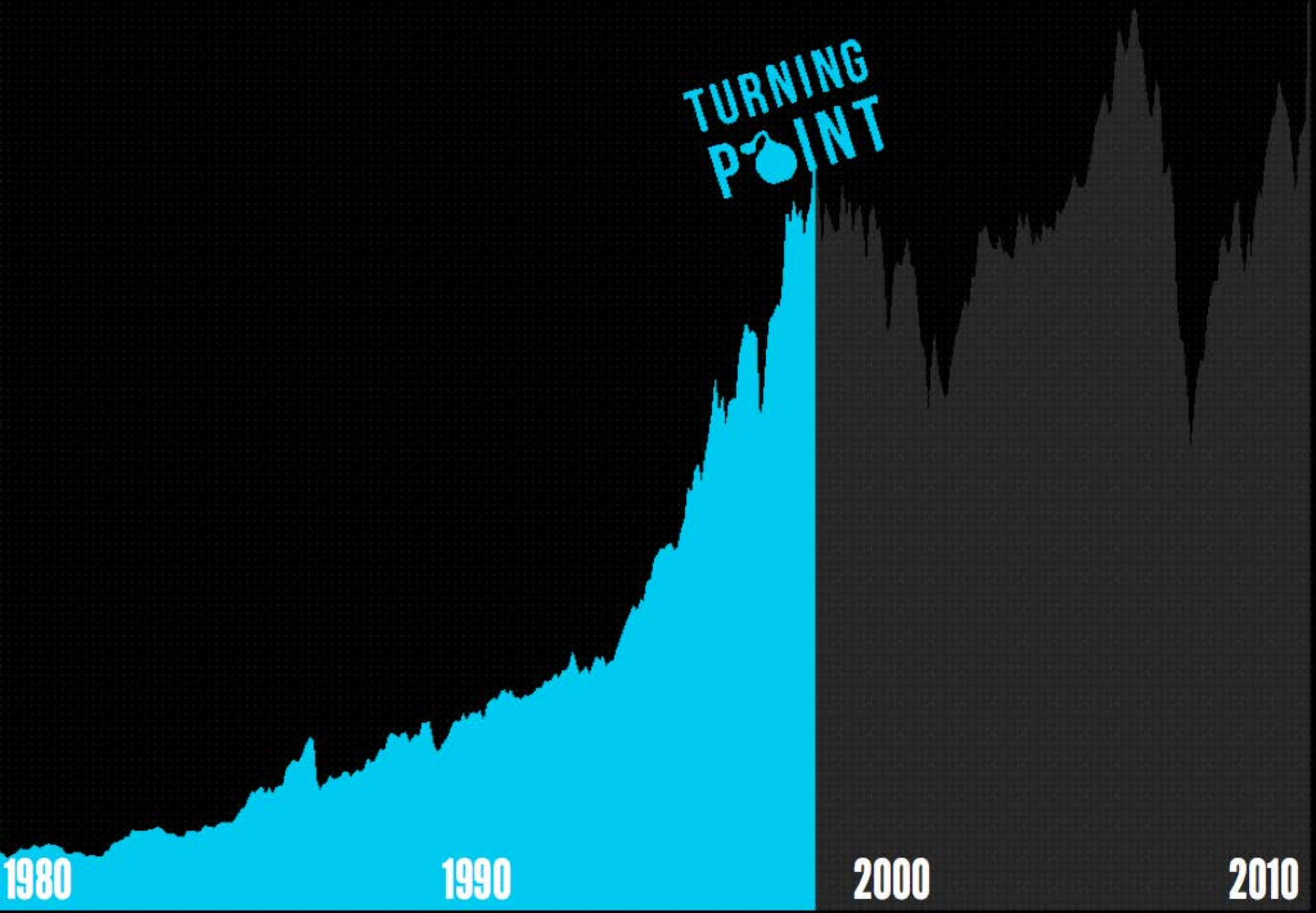
TURNING  
POINT

1980

1990

2000

2010



THE GOLDEN AGE THE ELECTRONIC AGE

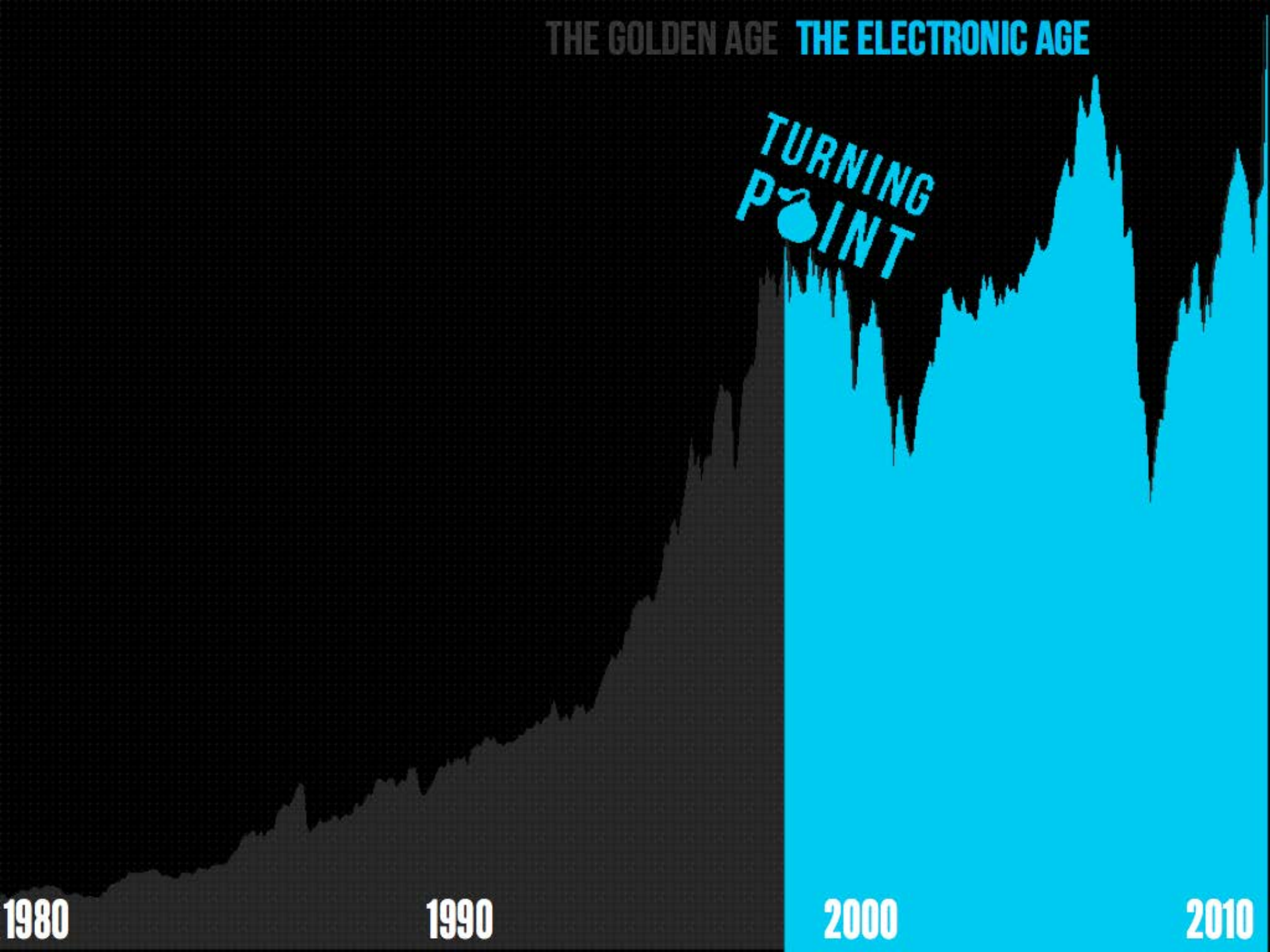
TURNING  
POINT

1980

1990

2000

2010



***MARKETS NEED TO GIVE PEOPLE  
THE CONFIDENCE TO INVEST***

**1**

# **A HISTORY OF THE NYSE**

**THE RISE, FALL, AND REBIRTH OF THE ICONIC INSTITUTION. AND THE THREE DECADES THAT MADE THE MOST FUNDAMENTAL TRANSFORMATION IN THE HISTORY OF THE STOCK MARKET.**

# THE NEW YORK STOCK EXCHANGE



*not just the **biggest** exchange in the world, the **greatest***

***1975-1989***



***THE GOLDEN AGE OF THE NYSE AND GREATEST BULL MARKET IN HISTORY***



**1990-2001**



***THE PEOPLE'S MARKET AND THE HOST OF THE PARTY***

# TURNING POINT

(part 1)

*the six days that changed the stock market forever*





**2001-2004**



***PARTY'S OVER. HANG ME OUT TO DRY, I'M DONE.***

# TURNING P INT

(part 2)

technology needed to protect our capital markets

# *2005-PRESENT*



*RISE OF THE ROBOTS*

**2**

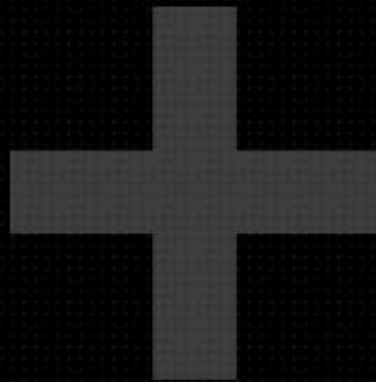
## **BRAVE NEW WORLD**

**HOW THE STOCK MARKET'S CHANGED & WHAT IT LOOKS LIKE TODAY.  
INSIDE THE ACTION AND THROUGH THE MAZE.**



**THE  
BIGGEST  
CHANGES  
HAVE BEEN**

**1  
WHO'S  
TRADING**



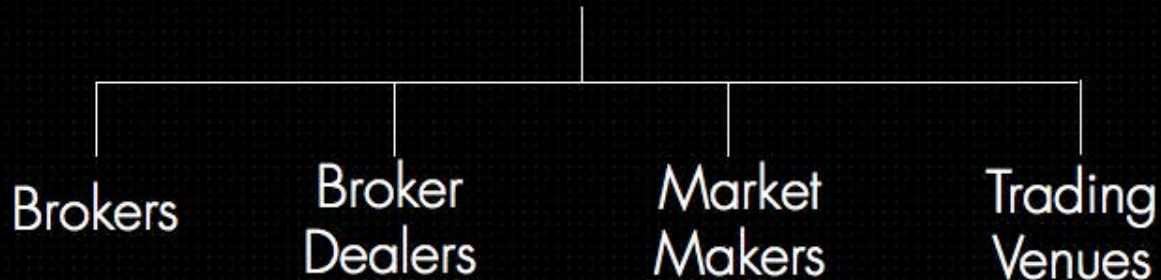
**2  
WHERE WE'RE  
TRADING**

# THE PLAYERS

## THE CUSTOMERS



## THE TRADING COMMUNITY

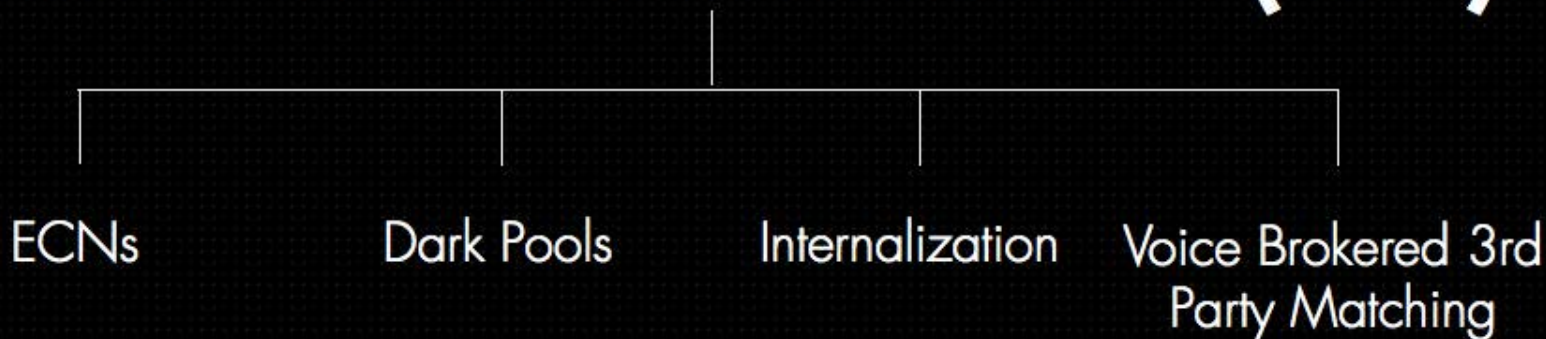


# THE PLATFORMS

## THE EXCHANGES (10+)



## ALTERNATIVE TRADING SYSTEMS (50+)



**Market fragmentation**

**The hidden market**

**High frequency trading and co-location**

**Noise, speed, and the reactionary market**

**3**

**MARKET STRUCTURE TODAY**

***MARKETS NEED TO GIVE PEOPLE  
THE CONFIDENCE TO INVEST***

## Market fragmentation



## The hidden market

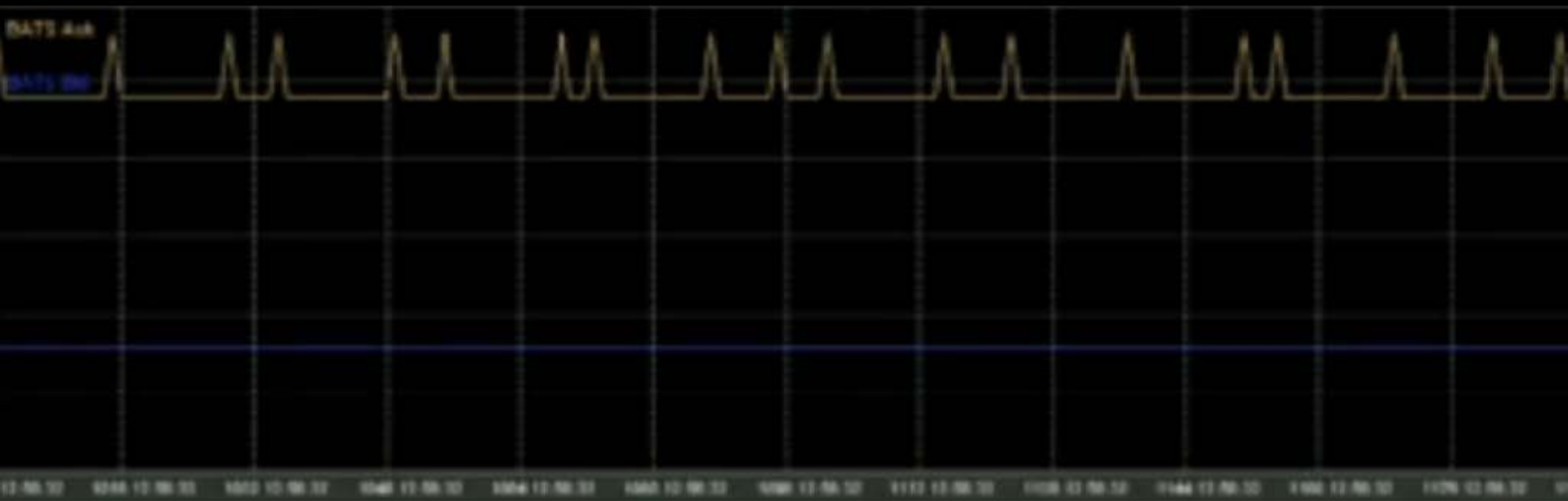
dark pools & alternative trading venues vs. transparent exchanges



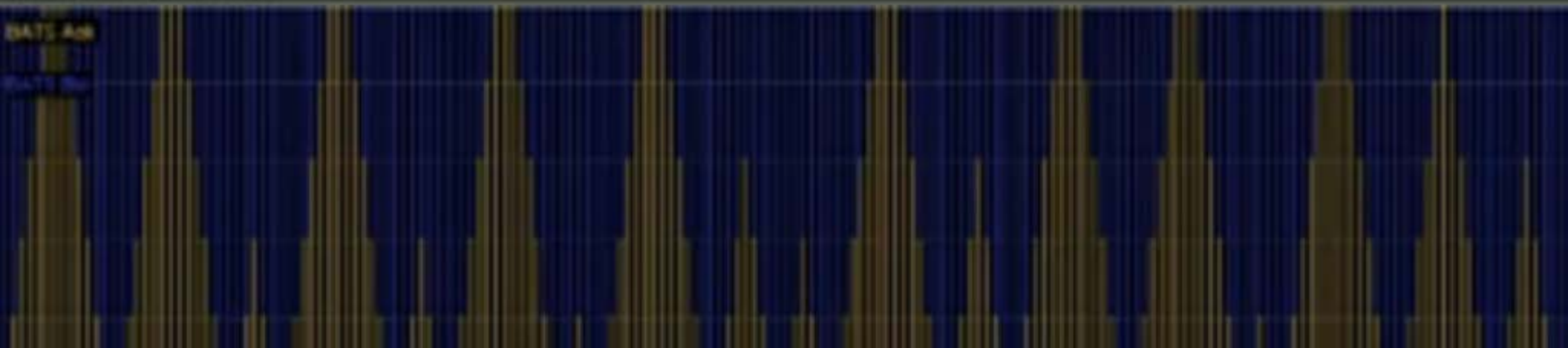
## High frequency trading and co-location

the race to zero: the speed of light  
electronic trading vs. computing power

meet "Twilight"



Dec 11 2010 12:56:32





## Noise, speed, and the reactionary market

information vs. knowledge

the 24-hour news cycle

algorithms that read the news...and Twitter



# **4** **WHAT WE'VE LEARNED**



***HIGH TECH***

***HIGH TOUCH***

# 5 RECAP

***MARKETS NEED TO GIVE PEOPLE  
THE CONFIDENCE TO INVEST***

Not all financial innovation increases efficiency. And sometimes, it can even threaten the stability of the market's structure.

Regulation has struggled to keep pace with technology, which is understandable.

At first it seemed the regulatory objective should be efficiency.

But what we're learning is that to truly keep pace with technology, our objective should aim more towards system resilience.



As more volume is done in more opaque, less regulated venues, it's just about making more leveler playing fields. It's not about re-centralizing the market or reducing competition, it's about strengthening systemic resilience. Investors need to know they have a legitimate shot at getting a fair deal. Otherwise, the markets lose their integrity — and their engine.

Rebuilding confidence in today's world isn't about reinvention, it's about rediscovering our roots. When we talk about market structure, we're talking about everything from the number and types of venues that trade a financial product to the rules they operate by. And, although these issues can be complex and the rules obscure, a stable, fair, and efficient market structure has always been, and will always be, the backbone of our capital markets.

The backbone of our capital markets – made from  
our market structure's...

*role integrity fairness resilience efficiency quality strength*

***THANK YOU.***

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