

# The Future of Trading Global Markets from China

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## China the next Evolution

- In 2006, rival bureaucracies in the Chinese system united to generate a “National Medium and Long-Term Plan for the Development of Science and Technology”.
- Its scope was breathtaking - It identified;
  - 11 key sectors,
  - 27 “breakthrough technologies”,
  - 18 targets for scientific research
- The Plan has an overarching goal to raise research and development spending in China from 1.3% of GDP to 2.5% in 2020.
  - (Chinese spending on research and development in 2010 was about £64 billion, a quarter of America’s £251 billion).
- It is springtime for China’s Financial Services business.

## China: Enter the dragon

*“China has a cunning plan to take away the technological leadership of the West — and western companies are getting worried.”*

*“China is racing to become a competitor in high-tech sectors.”*

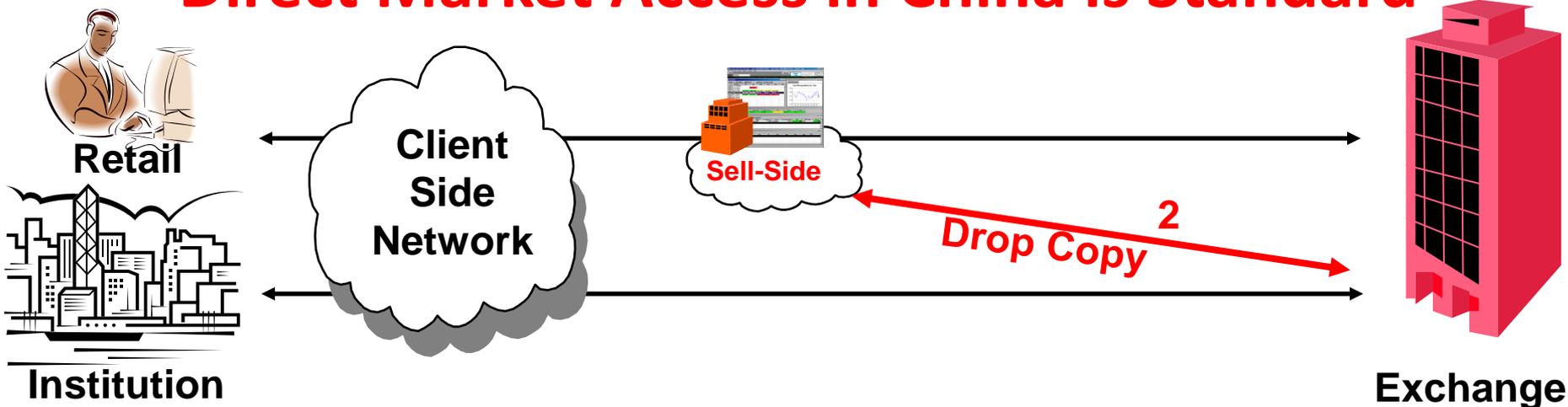


*“What about the Financial Markets?”*

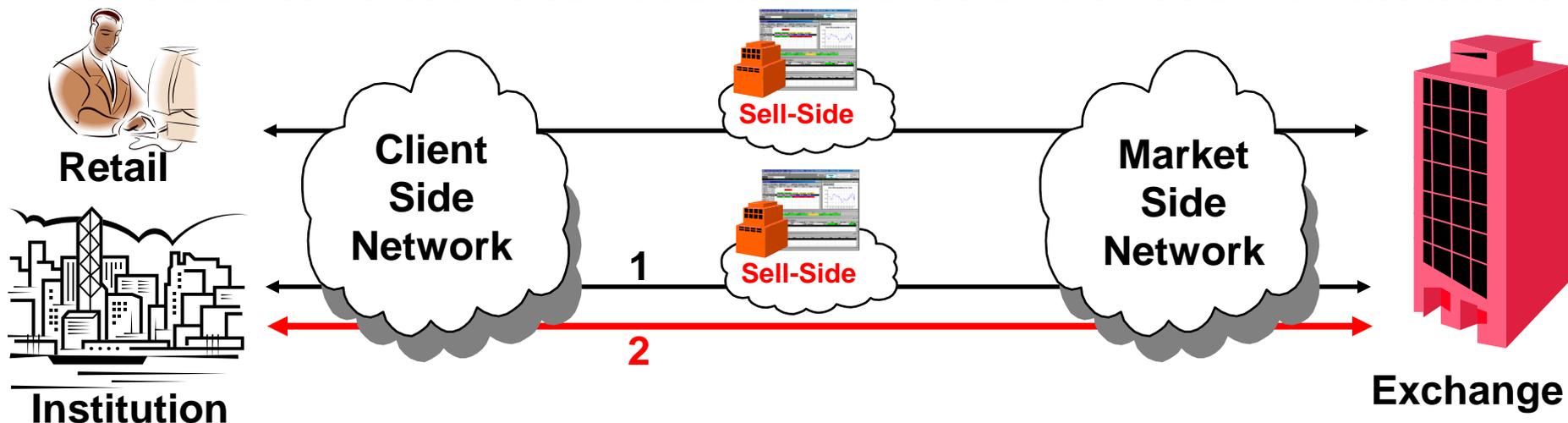
## China's entrance to the Global Markets

- Qualified Domestic Institutional Investors (QDII) benefited from the advent of Regulatory changes in China during 2006 – 2010;
- The Funds in China were suddenly exposed to new market forces, regulatory challenges, trading practices and a vast array of different liquidity pools in the West;
- The experience for those Funds who became licensed QDII's must have been overwhelming;
- The Chinese Funds were spoilt for choice with all of the new technologies, such as Order Management Systems (OMS), Algorithmic Engines, Execution Management Systems, Middle and Back-Office platforms that they could choose from.
- For the Western companies this was a bonanza, it was like a 'Gold -Rush'.

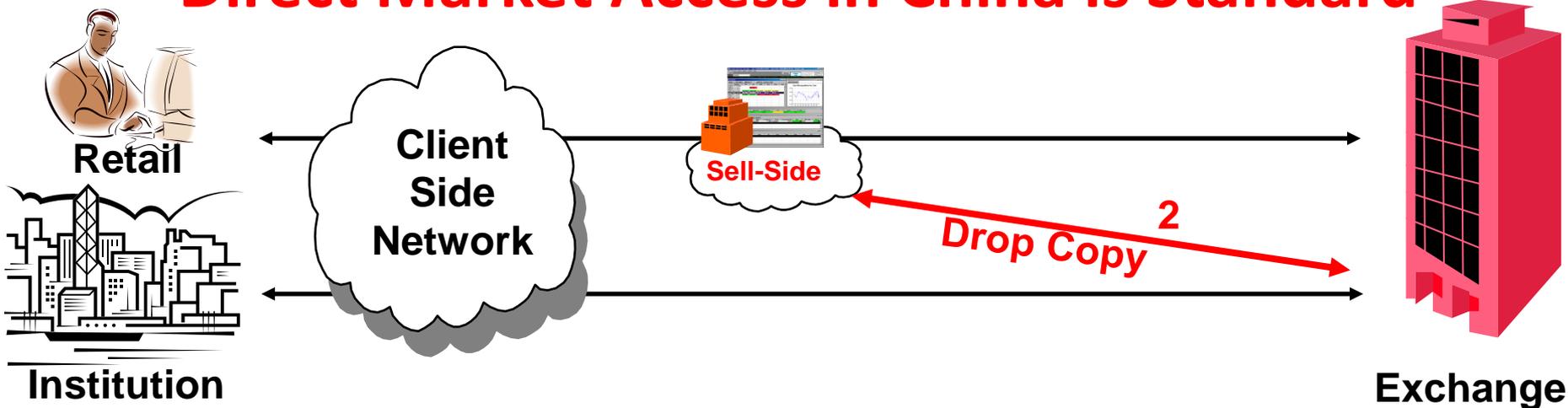
## Direct Market Access in China is Standard



## Direct Market Access in the West is Not Standard



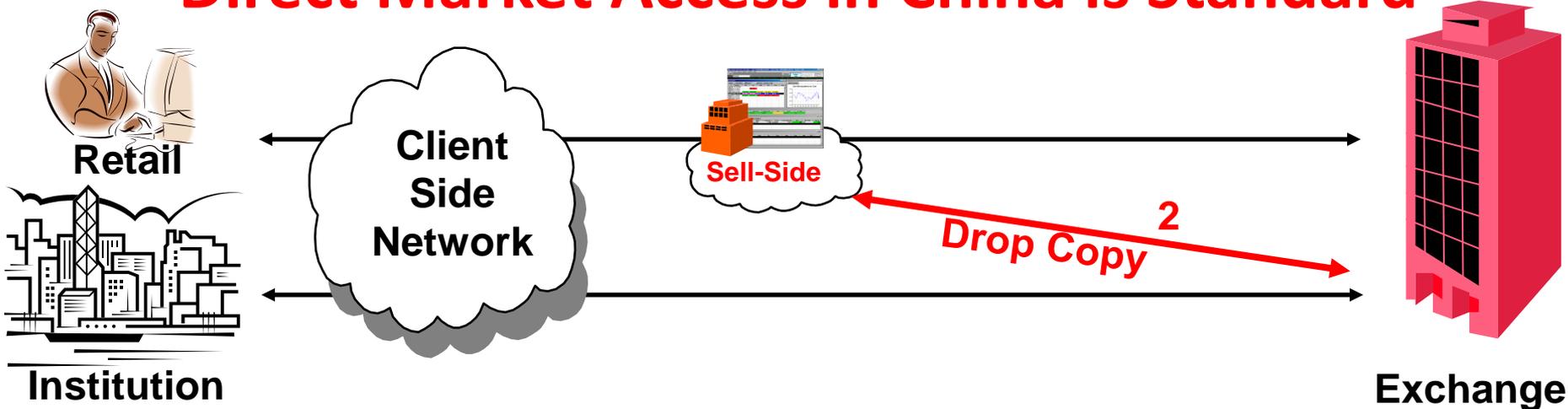
## Direct Market Access in China is Standard



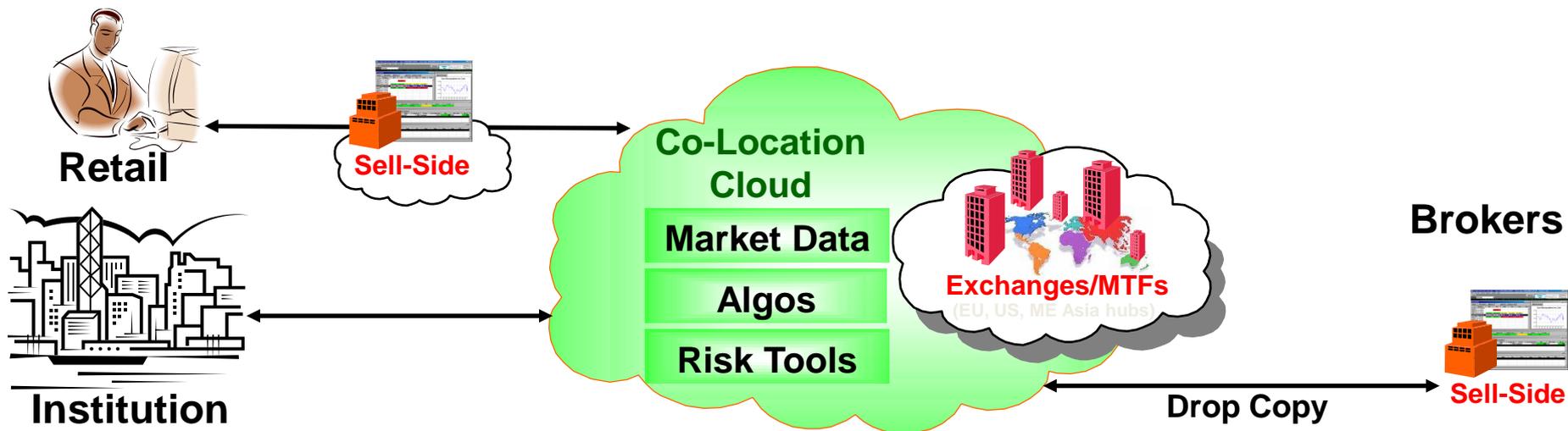
## Demand the Best in Class

**Demand Direct Market Access as Standard in West**

## Direct Market Access in China is Standard



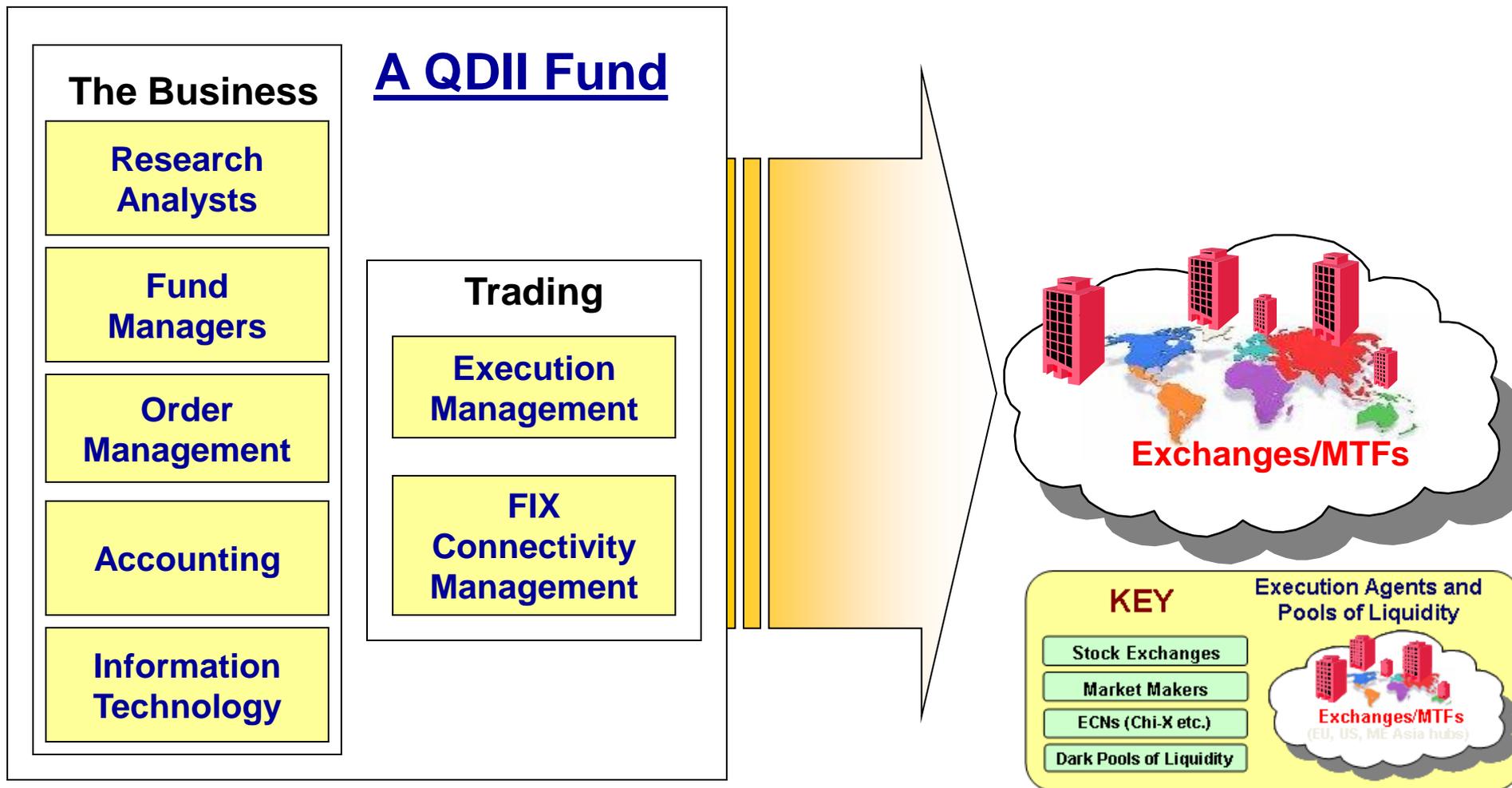
## Demand Direct Market Access as Standard in the West



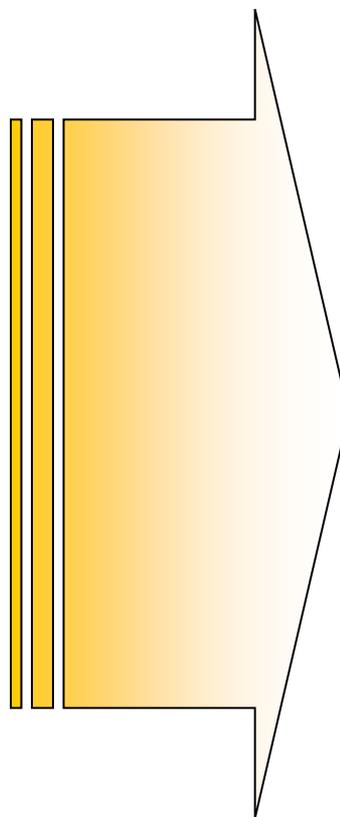
## Regulatory Changes Stress the West's Resources

1. In a recent report from Aite Group (March 7, 2011), Aite stated that:
    - a) Capital markets technology spending planned for 2011 would increase nearly 6% over and above 2010 technology budget in the West.
    - b) The 2010 spend on Technology and Services was circa \$44 Bln
    - c) Regulatory changes would absorb a large portion of the Capital Markets technology spend.
  2. As Regulatory changes in the industry put pressure on IT development budgets, many Investment Banks are presently seeking 'pay as you go' or outsourced services from "the Cloud" as a way to stretch their buying power.
  3. Shared Services include;
    - a) Execution Management Services
    - b) Middle and Back Office functionality
    - c) FIX Connectivity Services
  4. The Banks and Brokers in the west currently spend approximately \$2 Bln on FIX connectivity services per annum.
- The question I pose to the QDII market here in China is what are you doing to save money whilst still leveraging the best in class technology or services possible?**

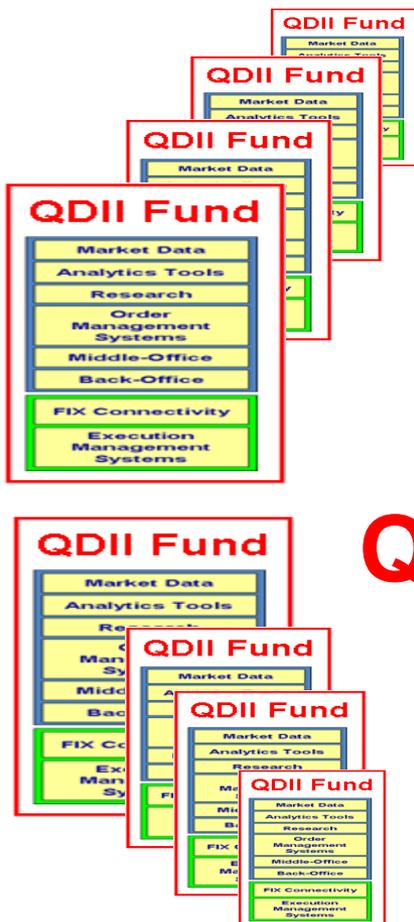
# Some of the Key Components of a QDII Fund



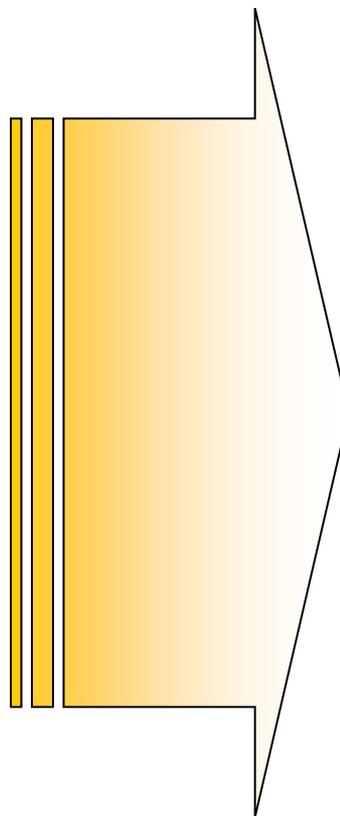
# Some Essential Tools for Global Markets



# The QDIIs all Need these Essential Tools



**50+**  
**QDII Funds**



# What are the Collective Costs for 50 QDIIs

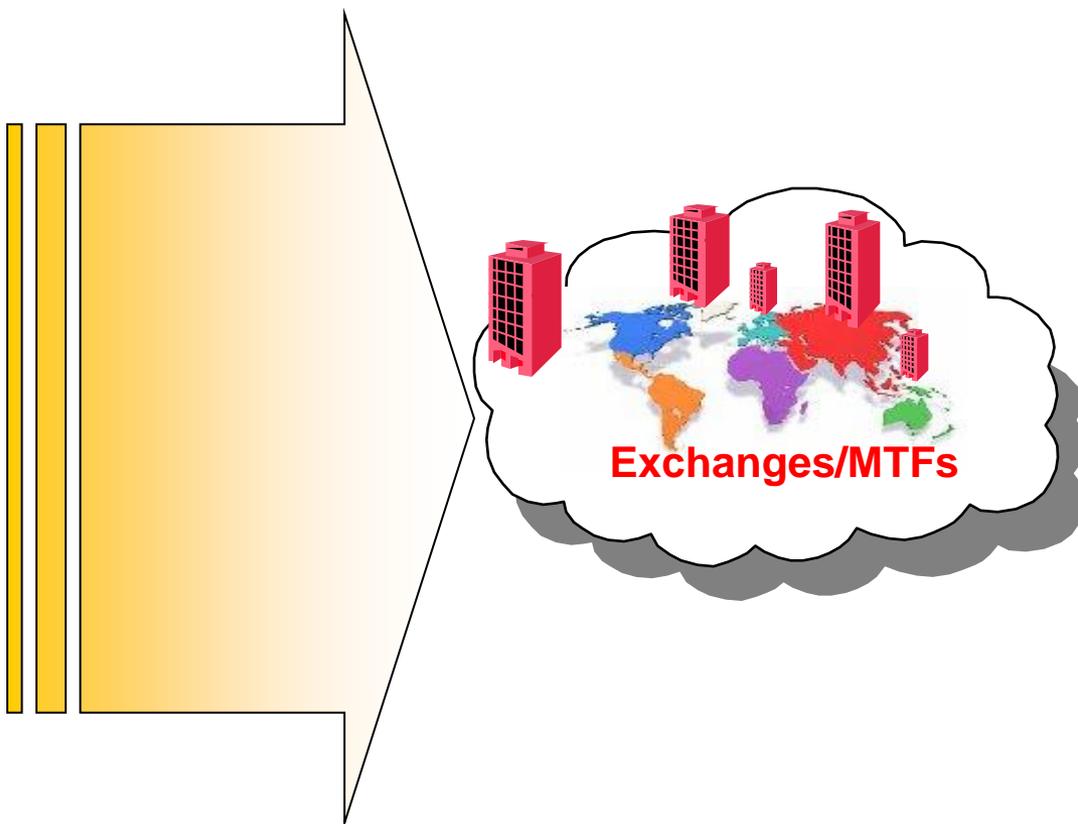


X 50 Units

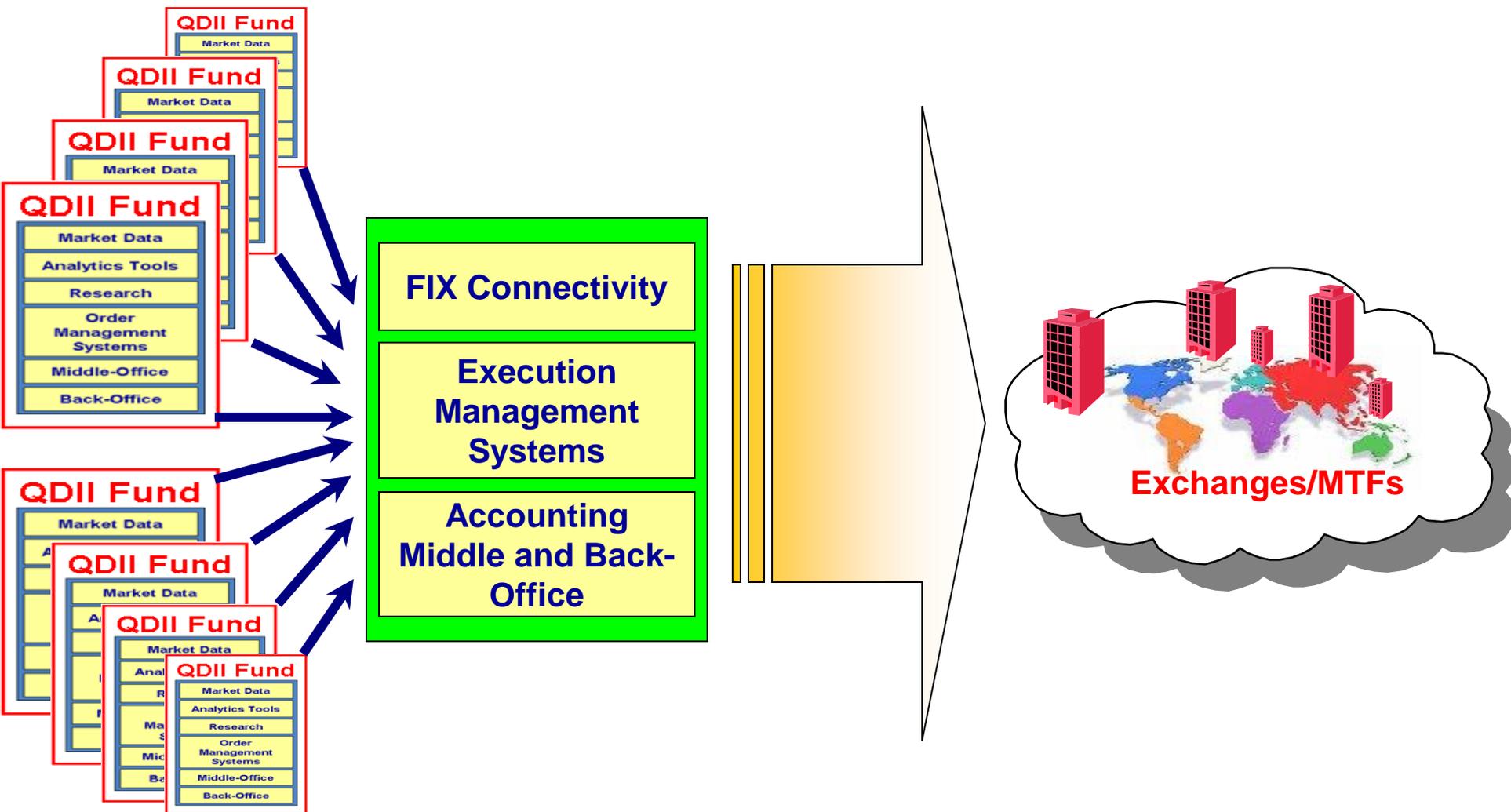


X 50 Units

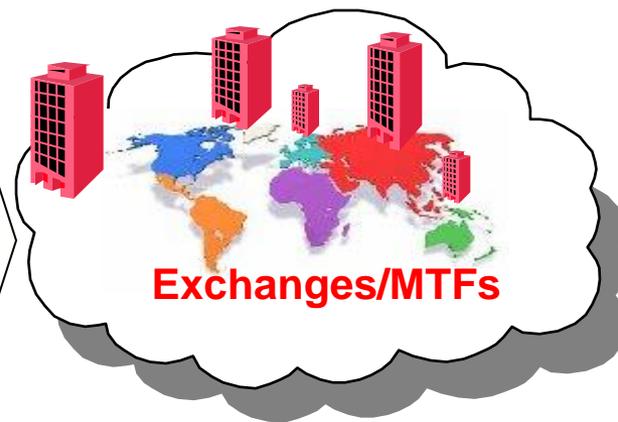
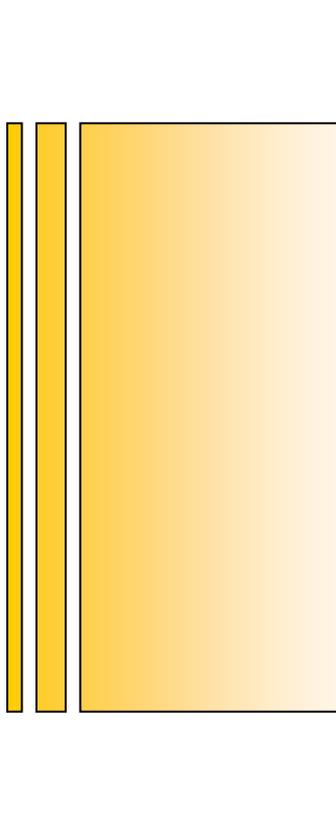
X 50 Units



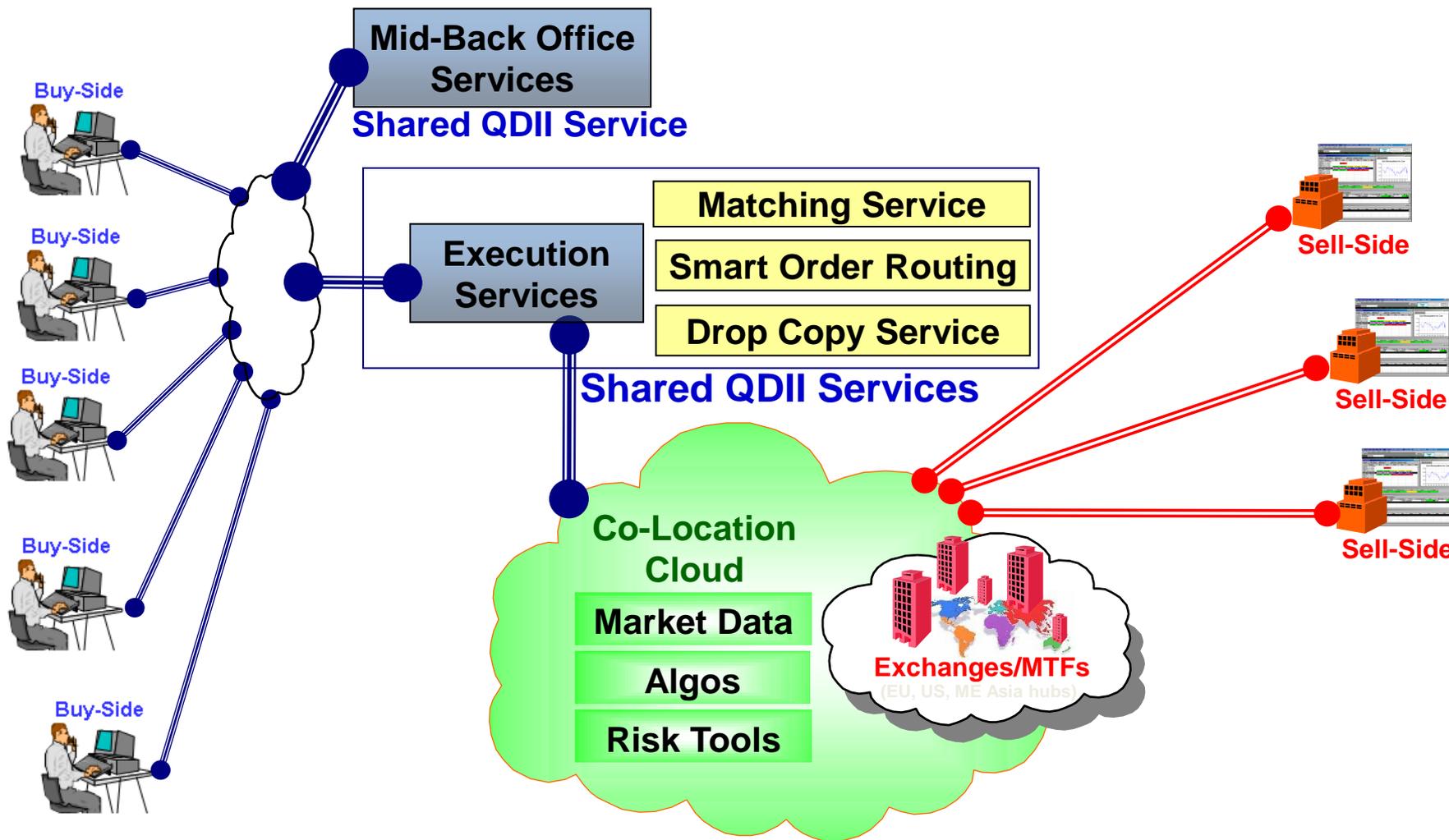
# What Services could the QDII Outsource?



# This Way QDIIs Could Have Collective Savings



# Shared Services will improve Performance in Market



# China and the Global Markets

*Will the QDII entities work together for the benefit of China and the Chinese consumers and create an environment that not only will be cost effective to run, but will become the envy of all the Western Banks and Brokers?*



Picture Courtesy of  
Michael Sheridan  
(The Sunday Times)

*“Is China ready to leapfrog the West in their own domain?”*

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Thank You

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