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Market infrastructure

	Payment systems/ E-money providers	Trading platforms	Financial benchmarks	Custodians
Key focus	Reduced profitability due to new regulations	Market consolidation	Managing the increasing regulatory burden	Managing the increasing operating cost bases
M&A trend	Upward	Upward, high levels of activity	Upward, significant levels of M&A	Flat, with a dip in the levels of M&A
Type of M&A	Strategic	Strategic	Strategic	Strategic <input type="checkbox"/> Non-core disposals by banks, but some custodians with robust balance sheets focus on organic growth in terms of product lines and jurisdictional coverage
Key drivers	<input type="checkbox"/> Market participants are forced to scale up to meet reduced profitability resulting from new regulations <input type="checkbox"/> Increasing operating costs resulting from additional regulatory burden and increasing litigation risk in connection with multilateral interchange fees	<input type="checkbox"/> Market consolidation globally and regionally, but some signs of platforms concentrating efforts within 'home continent' markets	<input type="checkbox"/> Increasing operating costs resulting from the burden of new regulation and heightened regulatory enforcement action risk from both EU and non-EU regulators	<input type="checkbox"/> Increasing operating cost bases and heightened regulatory enforcement action risk following regulatory reforms <input type="checkbox"/> Rise in outsourcing arrangements, with BNY Mellon, State Street, J.P. Morgan and Citi remaining predominant. But other market participants are making inroads
Trends to watch	<input type="checkbox"/> Competition from a growing range of alternative services <input type="checkbox"/> Competition from innovators <input type="checkbox"/> Private equity interest in payment service providers	<input type="checkbox"/> Co-operation and operational harmonisation between exchanges through joint ventures and other forms of strategic alliance, prompted by the European Central Bank under Target2-Securities <input type="checkbox"/> Vertical integration and organic growth, including into clearing, custody and financial information service provision	<input type="checkbox"/> A smaller number of market participants having sufficient infrastructure to support a benchmark administration business, given the FCA in effect treats administrators as 'mini-regulators' vis-à-vis their data submitters <input type="checkbox"/> Uncertain profit margins	<input type="checkbox"/> Private equity consolidators
M&A outlook	▲▲▲ Relatively steady M&A levels. Key driver is likely to include competition with established market participants, compounded by disruption by innovators	▲▲▲ An uptick in market consolidation. Key driver is likely to include regulatory change, such as MiFIDII expanding the types of trading venues which are regulated	▲▲▲ Slow-down in M&A activity. Many businesses have already upscaled their operations, but a further 'thinning of the herd' is likely. Key drivers are the new EU Benchmark Regulations, which will bring a number of new benchmarks within the regulatory perimeter, the rise in regulatory and private litigation risk, and data contribution contracts that are becoming trickier to negotiate	▲▲▲ Uptick in consolidation M&A. Competition from Central Securities Depositories (CSDs) is one of the key drivers. Due to The EU Central Securities Depositories Regulation, CSDs face increasing competition and are encroaching on custodians

“ Regulatory change continues to be a key driver of M&A activity