



**NORGES BANK**  
INVESTMENT MANAGEMENT

London Stock Exchange Group  
10 Paternoster Square  
London  
EC4M 7LS  
UK

Date: 30.01.2020

## **RE: LSE Consultation on market structure and trading hours**

Norges Bank Investment Management (“NBIM”) appreciates the initiative by the London Stock Exchange (“LSE”) to open a consultation on market structure and trading hours. As an active participant in global markets, we welcome this opportunity to share our experience with LSE.

NBIM is the investment management division of the Norwegian Central Bank (“Norges Bank”) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with assets valued at NOK 9 742 billion as of 30 September 2019, of which NOK 2 220 billion was invested in European equities, with UK being the largest European market with NOK 575 billion equity investment. We have a vested interest in a trading environment that yields well-functioning markets in financial instruments, facilitates the efficient allocation of capital and risk and promotes long-term economic growth. Such an environment requires balancing the interests and incentives of various types of market participants, ensuring a level playing field in financial markets.

Exchanges play a central role in financial markets, fulfilling a number of functions, from the provision of listing services to trade facilitation and the dissemination of market data. As a large and global investor, NBIM utilises a wide range of trading venues. Differences in market design across venues, from transparency regimes to trading protocols and trading hours, can have an impact on price discovery and market liquidity.

Recent trends in financial markets, such as the institutionalisation in the asset management industry and the growth of trading at the close<sup>1</sup>, have changed the distribution of daily volume and overall made it more challenging for institutional investors to access natural liquidity during continuous time trading.

In this regard, we believe that the proposed adjustment of LSE’s market trading hours can potentially improve trading conditions. The basic intuition is that the shortening of trading hours

---

<sup>1</sup> The closing auction share in major European markets on average accounted for more than 20% throughout 2019.



and their harmonisation<sup>2</sup> with best practices from North America and Asia could concentrate trading and, thus, increase the probability of a natural liquidity match. The improvement in market liquidity could, theoretically, also lead to improvements in price discovery. Both retail and institutional investors are likely to benefit from these improvements.

We note that we do not expect the adjustment of LSE's trading hours to impact the geographic advantage of Europe as a bridge between Asian and American markets. A carefully designed reduction in trading hours would leave sufficient time for overlap at the start and the end of the trading session for trading opportunities from regions outside Europe, given today's largely electronic markets and the widespread use of algorithmic trading.

We therefore support the proposal of LSE for the shortening of its market trading hours. Given the list of options in the LSE consultation, we consider choice "C. 09:00 - 16:00 London time", to have the potential to benefit markets the most. This choice would allow for adequate time in the morning for maintaining alignment with Asian trading hours, and at the same time shift the UK trading day nearer to the opening of North American markets, where we observe a sizeable peak in trading interest. It would also benefit after-hours activities, such as placements, that could take place earlier allowing investors to make timely decisions.

Given the fragmentation of equity markets, a coordinated effort by European Exchanges for the shortening of trading hours across Europe would be needed in order for any changes to be effective with their desired objectives. In particular, assessing alternative options in changing the trading hours across Europe, should take into account a number of factors, including the resulting overlap with American and Asian trading hours, and the open and close times in the UK and Continental Europe, respectively.

We welcome this important consultation of LSE on market structure and trading hours. NBIM supports market structure that advances well-functioning markets in financial instruments and promotes innovation and efficient trading.

We appreciate this opportunity to share our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours sincerely,

Emil R. Framnes  
Global Head of Trading, NBIM

Yazid M. Sharaiha  
Global Head of Systematic Strategies, NBIM

---

<sup>2</sup> In comparison, the New York Stock Exchange (NYSE) in US and the Toronto Stock Exchange in Canada are open for 6.5 hours, while the Tokyo Stock Exchange in Japan is open for only 5 hours.