World Federation of Exchanges

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I. Introduction

The World Federation of Exchanges (WFE) is the international organization representing stock exchanges at the global level. Previously known as the International Federation of Stock Exchanges, or by its French acronym FIBV (Fédération Internationale des Bourses de Valeurs), the Federation’s purpose “is to facilitate the representation, development of organized and regulated markets, and to meet the needs of evolving capital markets in the best interest of their users” (WFE 2007). In the 46 years since the Federation came into being, the exchange industry and global financial services more generally have evolved dramatically. Securities and securities markets have become key international spaces for the financing of economic growth. Moreover, as the role of securities markets in the economy has grown worldwide, the Federation’s reach has expanded to include exchanges around the globe. From its headquarters in Paris, the Federation currently has 110 markets as Members (58), Affiliates (22), and Correspondents (32). In 2007 there were 46,509 companies listed and accounted for more than 97 percent of market capitalization in the Member exchanges alone.

II. Origins and Development

Securities exchanges (or more traditional stock exchanges) have served an important role in the economy for many centuries. The origins of permanent exchanges emerged in the 1500s particularly with the establishment of a bourse in Antwerp in 1531 and the significantly more sophisticated Amsterdam Bourse a century later (Fratianni 2007). Throughout the next four centuries, securities exchanges appeared throughout Europe and other parts of the world and their activities evolved through increasing specialization and diversity in offerings as well as improved governance structures. However, it was not until the 1930s that a perceived need for an international association for stock exchanges emerged. Responding to this development, the
International Chamber of Commerce created the International Bureau of Stock Exchanges that survived until World War II. After the war concluded, there was a lag in the re-emergence of the exchange’s interest in international cooperation. It was not until May 1957, when a number of European bourses met in Paris, that the first major advances in informal international cooperation resurfaced. These relationships grew stronger throughout the next four years leading to the decision to create a formal structure in the form of a federation. In London on 12–13 October 1961, the Federation Internationale des Bourses de Valeurs (FIBV) was officially created. European in nature, FIBV’s original members were the Association of German Stock Exchanges, the Association of Swiss Stock Exchanges, and the stock exchanges of Amsterdam, Brussels, London, Luxembourg, Madrid, Milan, Paris, and Vienna (WFE 2002b).

From these ten initial members the Federation has grown dramatically in size, breadth, and geographic reach. Some of this growth fits the expansion and increasing importance of the securities sector in the global economy that came with the significant liberalization of national financial markets in the 1970s and 1980s (Helleiner 1994, 2008). Particularly during the 1980s and 1990s, a substantial number of states opened securities exchanges. Only 14 exchanges were created between 1960 and 1980 compared to the 18 that were created in the 1980s and 24 in the 1990s (Weber and Davis 2000).

By 1990, FIBV’s membership had grown to 38 exchanges and by December 2001 to 56 members. Its membership size has remained in the mid-50s since then, as new members have been admitted and other members have consolidated and merged. Although some of this membership growth has been through the incorporation of previously existing exchanges, like the New York Stock Exchange and other exchanges in Canada and Europe, throughout the same period the geographical reach of the Federation grew to encompass members on all the continents except Antarctica. In the process, the Federation has accepted members from newer emerging markets in Africa, Asia, Latin America, Eastern Europe, and the Middle East. This growth has also translated into increased market presence by the Federation’s members. In 1990, the total market capitalization of all WFE members was USD 9.4 trillion (WFE 2001). By the end of 2007, it had grown to approximately USD 61 trillion, excluding less than three percent of the worldwide total (WFE 2007).

The growth and evolution in the financial services market and the Federation itself was also at the heart of the 2001 name change to the World Federation of Exchanges (WFE). In the 2001 Annual Report, both Antonio J. Zoido, the Federation’s President at the time, and the Secretary-General Thomas Krantz, explicitly argued that the name change was in recognition