

„I’m not leaving, before I’m done.”

Christoph Boschan, the new CEO of the Vienna Stock Exchange, is only 38. Already in the entrance area of the venerable Palace Caprara-Geymüller, he excused himself for the stock prices displayed on old-fashioned ticker tape panels. “And wait till you see the library!” It looks like this man is going to change quite a lot around here. He spoke to Forbes about his plans for the Vienna Stock Exchange.

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**Mr. Boschan, you were Co-CEO of the Stuttgart Stock Exchange. Why Vienna?**

That’s very simple: Because of business and private reasons. The challenge of running a national stock exchange also really enticed to come to Vienna. The Vienna Stock Exchange has a concrete refinancing function for the national economy: through listings and trading in stocks and bonds. In the world of German stock markets – despite all the achievements – all stock exchanges outside of Frankfurt had to find their specializations. And these always involve trading in instruments that, well let’s say, no longer have much to do with the original purpose of corporate financing. For example, Stuttgart concentrates on certificates trading. And not least, Austria and Vienna really attracted me. My wife was also excited about Vienna from the very beginning.

**Under the umbrella of the exchange holding company, CEESEG, which administrates the subsidiaries in Vienna and Prague, a lot has changed since 2014: The planned merger with Warsaw failed, and Hungary and Slovenia were sold. What other changes may we expect? And how secure is the Prague stock exchange’s place within CEESEG?**

Prague is a core element of the Group. Period. The Prague Stock Exchange has an extremely interesting extended structure, because at the same time it also runs the central securities depository (book-entry services for securities transactions on financial markets; in Austria, this is done by Kontrollbank OeKB, note). As CEESEG, even if we are no longer a shareholder of our former partner stock exchanges, we are still technically closely linked. We calculate the most important indices for Eastern Europe and are a central data hub for the region. Vienna makes a state of the art trading system available to Prague, Budapest and Ljubljana (Vienna has a license for the Xetra platform of Deutsche Börse, note). Shortly, Zagreb will join the system network. We will expand the IT service business.

**When you were appointed CEO in May, the supervisory board spoke about seeing a “European marketplace” and “services of the future”. The East European strategy was left out of the wording. What measures are you planning on taking to achieve this European dimension?**

The East European business has been - and still is - a fundamental pillar of this exchange. At the same time, 80 percent of our order flows come from abroad, mainly from Great Britain and the U.S. That’s where you have to talk with clients to if you want to develop

the business. It is very simple: investors shouldn't be able to find a better execution price for their orders in Austrian stocks anywhere else in Europe than in Vienna. There is fierce competition in Europe among the 150 active platforms. To our regret, most of them are OTC systems unburdened by the regulatory baggage that stock exchanges have to deal with.

**Does this mean that you want to change the pricing schemes? The Vienna Stock Exchange does not always have a reputation as the most inexpensive provider.**

We urgently have to eradicate the rumors that the Vienna Stock Exchange is too expensive. Our analysis reveals the opposite. Vienna has by far the lowest execution prices in trading in Austrian stocks; it has the narrowest spreads (difference between buy and sell price, note), the highest liquidity and the best supply of information. You have to discuss two cost aspects when looking at exchange trading. First, the implied costs: It makes a difference if you buy a domestic stock at another venue for 50 cent more or if you buy it 50 cent cheaper at this venue. These are the principal costs, and most people don't realize this at all! ATX stocks in Vienna have implicit costs of around 5 to 15 basis points (0.05 to 0.15 percentage points, note). Our principal competitor, a platform in London, follows with an average of 25 basis points. This means that in Vienna for a EUR 10,000 order, the spread costs are between EUR 5 and EUR 15, in London EUR 25, and at the next competitor, the costs are dramatically more expensive at over EUR 30 to EUR 40. The additional explicit fees that we charge in Vienna for our services as a stock exchange are around five or six euro for an order of EUR 10,000. All of our models moreover show that an Austrian company in London can only expect to see half the liquidity.

**This calls RHI to mind that wants to switch to the London trading venue after the acquisition of Magnesita. It has been said that you spoke to the company. What are they saying?**

Such decisions are at the discretion of the company. But I am, of course, very sorry about this. When Austrian investors place orders abroad they will also incur higher costs and additionally carry the currency risk due to the listing in the British pound. At the same time they will be trading outside the European Union where the regulatory environment does not correspond to the standards they are accustomed to at home. It will also be my job to present concepts to listed companies on how they can retain their Austrian investor base. This is what we are currently doing.

**Have you already spoken to decision-makers at Telekom Austria or Conwert who may also disappear from the quotations list soon? The head of Telekom finds the listing too complicated, Conwert is allegedly about to be taken over ...**

We will certainly strengthen our support to listed companies. It is also my job to speak to all executive managers. But I will naturally start out by speaking to owners, supervisory boards and employees. We are currently in the midst of this process.

### **So you haven't called Telekom or Conwert yet?**

There is a concrete task being pursued in both cases.

**If one asks around, it seems that the theme of start-ups is very important to you. It is said that this will be an area of focus.**

I do not recall that any focus has already been decided. I have set up an internal strategy process to reorient the stock exchange. Regarding the results, I kindly ask you for patience. As a stock exchange we primarily take care of the listed companies. But we will, of course, have to decide on the involvement of the stock exchange in every stage of the funding escalator. This starts with pre-seed financing, seed financing, venture capital, private equity, private placement, and then at some point you reach the stage of the first initial public offering. Politics has a lot of sympathy for smaller businesses. There is a lot of support for the first steps. But I have to ask politicians: Is a stock exchange listing for these companies even a goal? Every euro invested in a listed company creates EUR 2.5 for the national economy. We simply have to find political answers.

**Could you still state your plans for start-ups in concrete terms? In Frankfurt, for example, the pre-listing Venture Network exists. Since its foundation in 2015, start-ups have received almost one billion euro, and the first one just made it to a listing on the exchange. Could something like this work in Vienna any time soon?**

Pre-listing segments have my greatest sympathy. They are the basis for going public later. We are looking intensely into this topic.

**Does this mean that you are just looking or are you working on it already?**

We already have some initiatives in place, for example, our IPO workshops. Just recently, we had nine potential listing candidates and several private equity companies attending.

**But an IPO workshop is not the same as launching a public platform, defining participation terms, setting up a separate venture website, etc. Do you want to do something like this?**

We are already doing this. I can sign off on everything you just said.

**How big is the IPO potential in Vienna in your opinion?**

Well, this is also a topic that is frequently presented in a negative way: Listings and delisting in Austria follow exactly the European trend. However, in Austria the stock market capitalization of companies as measured by GDP clearly lags behind (in 2013, the figure was 38 percent of GDP, note). But this also shows the potential.

## **Domestic stock market capitalization as measured by GDP is only a few decimal points behind Greece ...**

Well, it is only half the level of similar countries. However, one should differentiate: When the equity capital market is as strong as in the US and UK where stock market capitalizations are way beyond 100 percent of GDP, this is often an expression of poor bank financing. This is a compliment to Austrian banks. But, of course, companies must also have a need for capital. The stock exchange is not an institution of “compulsory benefaction”. However, we have to make clear when equity capital is really needed. It is needed particularly for innovations. Companies with a classical, steady development of business are well supplied with debt capital. In this respect, an underdeveloped equity capital structure is always an expression of lacking enthusiasm for innovation – this is my key warning to politicians. However, I have found only open doors when talking to Austrian politicians.

## **You have criticized the capital yields tax several times. It was increased in 2016 from 25% to 27.5%, but not for interest on savings deposits ...**

The political signal is fatal. Making the capital yields tax on interest-bearing balances at banks lower than on all other instruments – like stocks! Also a financial transactions tax would be a false signal for a relatively small capital market that needs to catch up with international capital markets. Every tenth job in Austria depends on an exchange-listed company. This year, two billion euro were distributed in dividends – unfortunately only to those who own shares. And these are usually the better educated, the wealthy. The stock exchange has to do something here.

## **Will you make new tools available to investors?**

We have to urgently do something in this area, and we will do it.

## **What exactly?**

Trading functions for investors, on our website, in the trading system. For private investors, everything has to be oriented on information and greater transparency. For institutional investors, the issue will be liquidity.

## **What measures do you want to use to improve this concretely?**

We need to find a market design for every need. Just transferring existing trading models – even if these are very international – especially to smaller markets, is in my view fatal.

**So what will the change look like? Vienna has a system of “specialists and market makers” (they place binding buy and sell quotes constantly to keep the market going, note); in other places, there are so-called “quality liquidity providers” (QLP) that supplement liquidity in electronic trading. Is this where you intend to start your attack?**

You are addressing the right issue. You always need highly advanced, fully automated systems. Then you also need someone to create liquidity, if necessary. We have concepts here for this, like everywhere. We will see how we can improve these.

**According to your initial statement, a focus on derivatives or certificates, like you had in Stuttgart, is not planned for Vienna.**

You’re absolutely right.

**What about cooperation with social trading platforms like Wikifolio or eToro? Wikifolio collaborates with Stuttgart.**

Everyone is speaking about Bank 3.0, Bank 4.0; how do you get people interested in investing? And Andreas Kern (Wikifolio founder, note) just lets people trade and then puts together the necessary infrastructure for certificates. These are the types of answers we need.

**Do you want to become a partner for a financial start-up?**

We are open to partners for all of these initiatives! But just to make sure you do not get the wrong impression: Stuttgart is the exclusive partner of Wikifolio.

**The US stock market Nasdaq started the first trading platform based on blockchain (a decentralized system, in which recipients and suppliers of funds operate without any intermediary services, note). In 2015, risk capitalists invested more than USD 450 million. Are you looking into this?**

It is extremely interesting. However, I do not see in blockchain what the majority of the media is extolling: an egalitarian, socialist, disruptive system that will sweep away all “trusted institutions” from the market. On the contrary, blockchain is nothing more than a decentralized, high-availability database. Who organizes access, who organizes the services, who adapts the system environment? These will be the old players. Trust me on that! And I can say with certainty that blockchain will not play a role for stock market trading in the foreseeable future. You can put that in capital letters! The picture is very different for clearing and securities safekeeping. In this context, blockchain will be powerful.

**What do you miss the most in Vienna?**

Nothing at all. A lot of beautiful and new things have been added. Not the Trollinger!

## Who is Trollinger?

It is wine.

**You are well taken care here in this case! Your contract in Vienna is for five years. Please select one of the answers: A) I will not leave here until I have turned everything inside out. B) I am young and I need the experience. Other countries also have beautiful exchanges.**

Oh for God's sake! I have come here to lastingly revive the stock market. I will not leave until I am done here. I'm here for the long run.

## Which investment from the past would you never do again?

Things I didn't understand. It is a very simple message: Buy what you understand, and don't just jump on a bandwagon that promises returns! This is when I was most likely to fall flat on my face, when I chased some ideas that everyone thought you just had go with because of the promise of high returns.

Christoph Boschan was born in Berlin in 1978. From 2010, he worked as the head of various bodies of the Stuttgart Stock Exchange, his last position was that of managing director of the holding company of the Stuttgart Stock Exchange. Stuttgart is considered the European market leader for trading in securitized derivatives and number one in corporate bond trading in Germany.