

The European Stock Markets: Still at Sixes and Sevens

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Western Europe is home to 57 stock exchanges (according to [Wikipedia](#) as of October 9, 2020) located in 36 countries, including Spain with five exchanges and Germany with six. Of these 57 exchanges, five are considered major platforms for trading securities, namely:

1. Euronext, which is a Pan-Europe exchange covering markets in Belgium, France, Ireland, the Netherlands, and Portugal
2. The London Stock Exchange, which has global listings
3. The Deutsche Boerse, which handles the Frankfurt Stock Exchange/Xetra
4. The SIX Swiss Exchange
5. Nasdaq Nordic, which comprises Scandinavian, Baltic, and Caucasian stock exchanges

The five major exchanges trade securities with a market capitalization of over \$1 trillion (U.S.). Multiple stock exchanges can present opportunities such as intermarket arbitrage; but can also present problems, especially when the parts do not fit together.

American Capital Stock Exchange Markets

American capital markets developed in a land of many stock exchanges. For a brief history of stock exchanges in the United States, see the first three paragraphs of my September 8, 2020, blog, "[SEC Seeks to Increase the Security of the Data on the Consolidated Audit Trail National Market System](#)." Since 1975 security trading information is aggregated in real-time under the National Market System ("NMS") overseen by the [U.S. Securities and Exchange Commission \("SEC"\)](#). There are still imperfections, as with most human enterprises (see, for example, the "Flash Crash" noted in my September 8 blog), but generally, the NMS functions well to avoid market disruptions. For example, in July 2015, the [New York Stock Exchange](#) froze for almost four hours. James Angel, an associate professor of finance at Georgetown University, is quoted in the financial press as having said, "All of the other exchanges kept trading and no one really noticed."

“Europe at Sixes and Sevens”

In 1961, Emile Benoit, a writer on the economic and political history of post-World War II European efforts at unification, published a book, “Europe at Sixes and Sevens,” utilizing the old English expression “sixes and sevens” to mean confusion or disarray. An apt metaphor for the difficulties in integrating the six-member European Coal and Steel Community with new nation-state members as they sought to build the European Union, it remains just as apt today for the SEVERAL European stock markets. The point was driven home last month when investors learned the hard way that trading ceases when parts that do not fit together break. On Monday, October 19, 2020, “technical glitches” halted trading on two occasions, causing market disruptions and potential losses on five of the stock exchanges owned by Euronext, including those in Paris, Amsterdam, and Lisbon. Again, as a live example, [Danone SA](#) (the French yogurt and other food company) had just reported earnings on the 19th when Euronext went down. The head of equity trading for a major money management firm intended to trade Danone at a given price. However, neither information about prices nor the ability to trade the security was available. The money management firm was shut out from the ability to trade this stock in the European capital markets.

Consequently, investors and others concerned about European capital markets have renewed efforts to create a consolidated tape akin to that of the NMS, to collate real-time prices for securities that trade on different marketplaces simultaneously. Those market participants are looking to the [European Securities and Markets Authority](#) to assert some helpful suasion if not outright jurisdictional action as the SEC did in creating the NMS. Additionally, the [European Central Bank](#) has said that it has “taken steps to avoid a repeat of the disruption.” Hopefully, the Bank is right. In the meantime, when trading on European exchanges, expect the unexpected.

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