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What happened if you had an outage and nobody cared? We recently saw the NYSE exchange go down for over three hours. The flow of capital in the US markets went on almost unimpeded as the other stock exchanges stepped up and filled the void. This is a wonderful testament to the strength of the US stock markets. Can you imagine if a glitch had shut the LSE? Or the Australian exchange? Or China's? Their markets would have been closed, liquidity impossible to access, capital shut off.

But not in America. We have had a wonderful refurbishing of the equity markets in the past decade or so. Gone is the monolithic market, once dominated by the NYSE. God forbid if one ever traded away from the NYSE. It held over 90% market share and was manically focused on maintaining it. Innovation? Nope, not here. Competition? Nope, not here. The monolith was also a roadblock to any meaningful change in US market dynamics.

I ought to know. I was a block trader at the NYSE's biggest client. My colleagues and I served on various committees within the halls at 11 Wall Street. Management there ran the market with an admirable iron grip. But that was in an age of manual markets where technology did little more than publish prices and clear trades. As technology changed, beginning with the Order Handling Rules of 1996 when the regulators embraced Instinet (the original ECN), the NYSE, and for that matter NASDAQ, was on its way to becoming anachronistic.

In Regulation NMS, the SEC quite wisely pushed competition on the industry and created pathways for clever market participants to create important destinations for investors. Now one could seek out the best price, at a penny spread, in a number of venues. This fragmentation, aka competition, has been a huge benefit to the average retail investor. Suddenly people were competing for that order flow. Gone were the days of the "pending file" where a Wall St trader would sit on an order until he wanted to execute it. Suddenly the industry was forced to seriously up its game. Orders started being executed in record time at record prices. And "mom and pop" were the beneficiaries.

now down to about 25%. And that shouldn't be a surprise. As opposed to commodity exchanges where they have bespoke products and an integrated clearing function, equities are completely fungible. A share of Intel is the same whether traded on BATs or NASDAQ. And the industry long ago formed a user owned clearing utility called DTC. Equity trading is simply more equitable than most other financial products. Great news for retail investors.

But what about the other functions of an exchange? Doesn't the NYSE contribute mightily to capital formation is the US? That also has changed dramatically.

One definition of an exchange is: "the market in which shares of publicly traded companies are issued and traded either through exchanges or over the counter markets. Also known as the equity market, the stock market is one of the most vital components of a free market economy, as it provided companies with access to capital in exchange for giving investors a slice of ownership in the company." (from Investopia)

It is one man's opinion that even that aspect of an exchange has faded. Think about it. Private equity and venture firms have assets under management of close to $4 Tril. With use of leverage, that gives these firms buying power of in excess of $15 Tril. With the entire market capitalization of NYSE listed shares at $20 Tril, one can see that providing capital to the market has also been fragmented. Capital formation now has competition. The beneficiaries here are the entrepreneurs driving the most exciting parts of our economy.

Of course, exchanges aren't simply giving up. They are trying to get the regulators to adjust the rules, to drive more trading their way. The claim is that markets will be healthier, more robust. But by artificially forcing more trading on exchanges, the regulators would be reducing competition and effectively picking a winner. And they'd be two likely winners…the exchanges, and their current largest clients, high frequency traders. Seems to be a bit wrong footed to put the retail investor behind high frequency traders when it comes to an investor class the regulators should be looking out for.

So technology outages can be quite illuminating. In this case, we got proof positive that the US equity markets are in a great place, able to facilely handle an outage in one area by competitors filling the void instantly. The power of the big exchanges has truly faded, both in their importance to the investing public and their former role as the key place to facilitate capital formation. This new dynamic is widely positive for investors everywhere. Fair, transparent competition does it again.