

**OPINION**

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# Trends and Challenges in Extending Stock Market Trading Hours

The United States is now leading efforts to extend stock market trading hours following its recent shortening of the settlement cycle. In response, major economies such as the United Kingdom, Germany, and Hong Kong are also considering similar extensions. Longer trading hours can enhance market accessibility for both domestic and foreign investors, thereby improving market liquidity and efficiency. However, these benefits may come with potential drawbacks. As liquidity becomes dispersed across longer sessions, price distortions may occur and price discovery could weaken for individual stocks or the market as a whole. Nevertheless, to improve foreign investors' access to the Korean stock market, it is necessary to further extend domestic trading hours. The possibility of a 24-hour trading framework should also be explored. Fundamentally, the attractiveness of the Korean stock market must be strengthened, and institutional frameworks and market infrastructure must be reinforced to support extended trading hours while maintaining market stability.

In May 2024, the United States shortened the stock market settlement cycle from T+2 to T+1. Building on this change, it plans to extend the trading hours of major stock exchanges to nearly 24 hours starting in the second half of 2026.<sup>1)2)</sup> Accordingly, major economies such as the United Kingdom, Germany, and Hong Kong are also actively engaging in discussions about extending trading hours.<sup>3)</sup> This issue is of particular importance because extending trading hours can directly influence the global competitiveness of each country's representative stock exchange. This article aims to examine the background of the ongoing discussions on trading-

\* All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

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1) Kang, SH., Noh, SH., and Jung, SM., 2024, Impacts and Implications of the Shortened Settlement Cycle in the U.S. Stock Market, Capital Market Research Institute Issue Report 24-10.

2) Lee, SB., 2025. 4. 14, Implications of Changes in the U.S. Overnight Stock Market, Capital Market Focus 2025-08.

3) World Federation of Exchanges, 2025, Policy and Market Impacts of Extended Trading.

hour extensions, evaluate their potential ripple effects, and propose policy directions that Korea should pursue in response.

### **Background of Extending Trading Hours**

Information that can influence stock prices is generated and disseminated continuously throughout the day. It may therefore seem natural for stock markets to operate around the clock, allowing such information to be reflected in prices in a timely manner. Nevertheless, stock exchanges have traditionally restricted trading hours to maintain market efficiency and stability.<sup>4)</sup> Although electronic trading systems were introduced in the early 2000s and the technological environment to freely extend trading hours had already been established, stock exchanges only extended the trading sessions of the pre-market (before the regular exchange opening) and the after-market (after the regular exchange closing).

Even in the United States, which is currently leading global discussions on extending trading hours, major stock exchanges had not previously opened for overnight trading. Instead, overnight trading had been conducted through alternative trading systems (ATSs).<sup>5)</sup> The possibility of overnight stock trading only emerged after the launch of the first U.S. ATS dedicated to overnight trading in June 2021. Before then, most ATSs operated in alignment with the regular trading hours of major stock exchanges.

However, the major U.S. stock exchanges — the New York Stock Exchange (NYSE) and Nasdaq — announced in October 2024 and March 2025, respectively, that they would extend trading hours to allow trading nearly around the clock.<sup>6) 7)</sup> The main reason both exchanges put forward is global investor demand. In particular, following the system outage in early August 2024 that temporarily suspended overnight trading on an ATS, it became evident that Asian investors had strong demand for overnight trading. In response, both exchanges moved proactively to extend their trading hours.<sup>8)</sup>

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4) The Economist, 2025. 6. 23, Why 24/7 Trading Is a Bad Idea.

5) Until the temporary suspension of overnight trading in early August 2024 due to a system failure at one of these ATSs, overnight trading had not received much attention even within the United States.

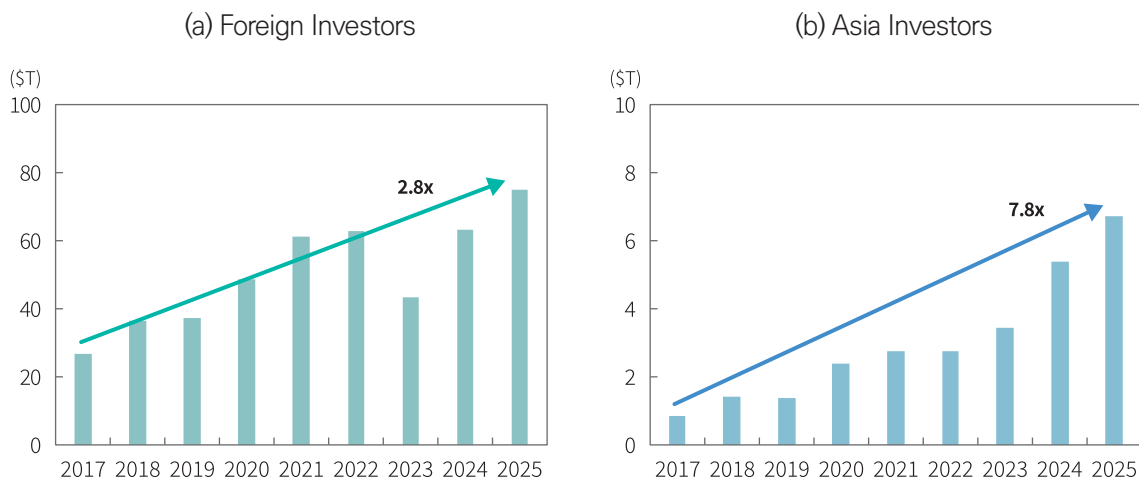
6) The NYSE's electronic trading platform, NYSE Arca, announced that its trading hours would be extended from the previous 16 hours (4:00 a.m. – 8:00 p.m.) to 22 hours (1:30 a.m. – 11:30 p.m.), while Nasdaq declared that it would enable full 24-hour trading.

7) NYSE, 2024. 10. 25, The New York Stock Exchange Plans to Extend Weekday Trading on Its NYSE Arca Equities Exchange to 22 Hours a Day; Nasdaq, 2025. 3. 7, The Markets Never Sleep, Should Trading? Nasdaq Will Enable 24-hour Trading on the Nasdaq Stock Market.

8) BlackRock, 2025. 3. 19, Market Spotlight: 24 Hour Trading.

In fact, an examination of foreign investors’ trading activity in U.S. equities reveals that the total trading value in 2025 is projected to reach approximately 2.8 times the level recorded in 2017. Although foreign investor trading volume temporarily declined sharply in 2023, it rebounded quickly thereafter and is estimated to far exceed previous levels. In particular, trading by Asian investors has exhibited a particularly strong upward trend.<sup>9)</sup> It recorded the most rapid growth, with trading value in 2025 projected to be 7.8 times higher than in 2017.

**<Figure 1> Trends of U.S. Equities by Foreign Investors**



Note: The 2025 trading value is an estimate calculated by doubling the trading value for the first half of 2025.

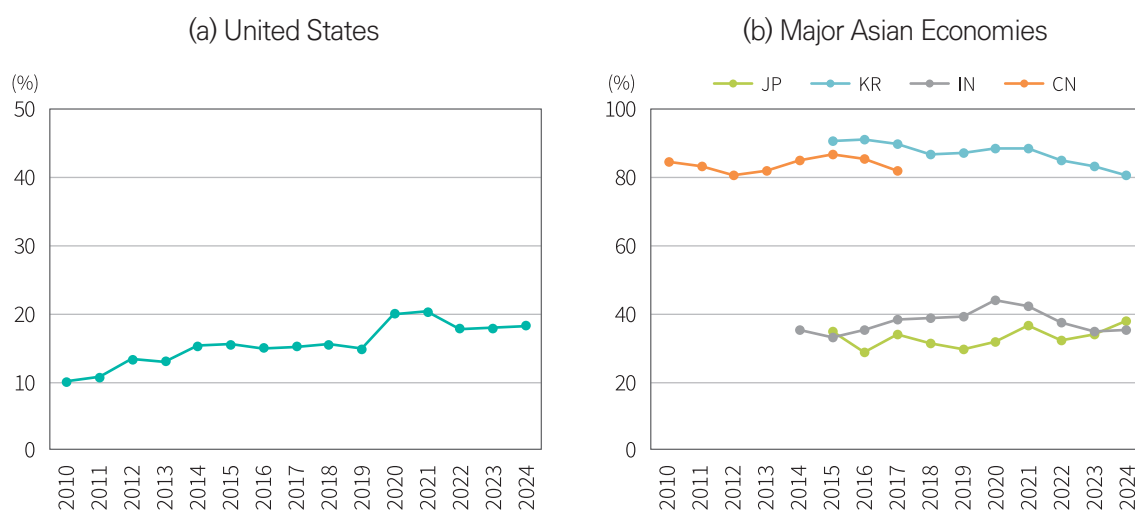
Source: U.S. Treasury

The rapid increase in retail investors since the COVID-19 pandemic has also been a major contributing factor. In the United States alone, more than 10 million brokerage accounts were newly opened in 2020, and approximately 30 million accounts were opened between 2020 and 2022.<sup>10)</sup> Moreover, in 2010, individual investors accounted for only about 10 percent of total trading volume in the U.S. stock market, but their share has since doubled to around 20 percent.. This trend of increased retail participation in equity markets has also been strongly evident in both Asia and Europe.<sup>11)</sup>

9) During the same period, trading values by investors from Europe, the Caribbean, Latin America, and Africa increased by 3.1 times, 1.8 times, 4.5 times, and 5.3 times, respectively.

10) European Capital Market Institute, 2024, Digital-Savvy Retail Investors – How Can the Financial Industry and Regulation Help Them to Prosper? ECMI Research Report No. 21.

11) In Korea, the number of individual shareholders in 2024 increased by roughly 8 million compared with 2020, while the number of active brokerage trading accounts rose by about 55 million over the same period.

**<Figure 2> Share of Trading Volume by Retail Investors**

Source: Bloomberg Intelligence, JPX, Korea Exchange, CEIC, NSE Market Pulse.

The widespread adoption of smartphones and the mobilization of stock trading platforms have also been key contributing factors. Mobile trading platforms have greatly lowered the entry barriers for retail investors to participate in the stock market. Investors can now open brokerage accounts directly from their smartphones, trade anytime and anywhere, and invest with relatively small amounts of capital. In addition, real-time access to investment information through mobile devices continuously stimulates and sustains trading activity among retail investors.

### Impacts of Extending Trading Hours

The London Stock Exchange Group (LSEG) in the United Kingdom is also considering a potential extension of trading hours starting in July 2025, taking into account the commercial, technological, and regulatory implications of the U.S. stock market's move toward longer trading sessions.<sup>12)</sup> The LSEG's primary concern lies in maintaining the global competitiveness of the London Stock Exchange (LSE), which serves as the core of the U.K. capital market. Without extending trading hours, there is a risk that market liquidity could shift from the U.K. to the U.S. in the short term. Over the medium to long term, a growing concentration of global liquidity in the U.S. could further encourage companies to list there rather than in the U.K., undermining

12) The Guardian, 2025. 7. 21, London Stock Exchange Considers 24-Hour Trading to Stimulate Market.

London's status as a leading global financial hub.

Currently, because of time zone differences across regions, global liquidity moves sequentially among markets according to investment strategies and market conditions. For instance, liquidity may flow from Asia to Europe, from Europe to the United States, and then back from the United States to Asia. However, if major economies extend their stock market trading hours to a full 24-hour cycle, this global pattern of liquidity movement could fundamentally change. Competition for global liquidity among major stock exchanges would intensify, and over time, liquidity is likely to become increasingly concentrated in markets with higher investment attractiveness.<sup>13)</sup>

The intensification of global competition for liquidity is inevitable as stock markets extend their trading hours, primarily because such extensions greatly enhance global investors' market accessibility. For instance, Asian investors currently must trade late at night if they wish to invest in U.S. equities through major American exchanges. However, if the United States adopts a 24-hour trading framework, these investors would be able to buy and sell U.S. stocks conveniently during their own daytime hours. This exemplifies the potential ripple effects that could occur in any country once its stock market begins operating around the clock.

The extension of trading hours can also encourage greater participation by domestic investors, particularly by enhancing convenience for retail investors. In the past, many individuals were unable to trade actively because market hours overlapped with regular working hours. With extended trading sessions, these time constraints would be eased, enabling more flexible participation in the market. This effect is likely to be especially significant in markets with a high proportion of retail investors.<sup>14)</sup>

As a result, overall market liquidity could increase, and information may be reflected into prices more quickly, thereby enhancing the stock market's price discovery function. However, the extension of trading hours does not guarantee only positive outcomes. It also introduces potential risk factors associated with longer trading sessions.

Even if trading hours are extended, market liquidity may not necessarily increase. Although longer trading hours could attract additional liquidity, markets with relatively low attractiveness

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13) Börsen-Zeitung, 2025. 9. 23, Trend toward 24-hour Trading Intensifies Stock Market Competition.

14) World Federation of Exchanges, 2025, Policy and Market Impacts of Extended Trading; BlackRock, 2025. 3. 19, Market Spotlight: 24 Hour Trading.

may instead experience greater liquidity outflows. Previously, time zone differences helped limit such outflows from less attractive markets. However, if stock markets around the world adopt 24-hour trading, these time-zone barriers would disappear, allowing liquidity to flow freely toward markets with higher investment appeal.

**<Table 1> Positive and Negative Effects of Extending Trading Hours**

Positive Effects	Negative Effects
<ul style="list-style-type: none"> <li>• Improved market accessibility</li> <li>• Increased trading activity by retail investors</li> <li>• Inflow of global liquidity</li> <li>• Potential increase in overall market liquidity</li> <li>• Possible strengthening of the price discovery function</li> <li>• Enhanced market efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Potential outflow of domestic liquidity leading to reduced market liquidity</li> <li>• Possible price distortions and weakened price discovery due to liquidity dispersion and volatility across time zones</li> <li>• Decline in market trust, reputation, and stability</li> </ul>

In addition, extending trading hours may cause market liquidity to become more dispersed throughout the day, potentially intensifying liquidity disparities across trading hours. Such imbalances can lead to price distortions in individual stocks and undermine the overall price discovery function of the market. These adverse effects are likely to be more pronounced in smaller markets characterized by lower trading frequency and thinner liquidity.<sup>15)</sup>

The extension of trading hours can also pose risks to market trust and reputation. If the market fails to respond promptly to changing conditions, maintain the stability of trading systems, or effectively monitor unfair trading practices, the drawbacks of longer trading hours could outweigh the benefits. Moreover, if trading hours are extended without establishing a proper staffing and supervision system for market operations and surveillance, the overall stability of the market could be at risk.<sup>16)</sup>

### **Policy Directions for Korea's Response**

It is now almost certain that the United States will extend its stock market trading hours to a 24-hour regime beginning in the second half of 2026. In response, other major economies are also actively considering similar extensions. While specific operational approaches may vary across countries, round-the-clock trading is expected to become the new normal in global stock markets.

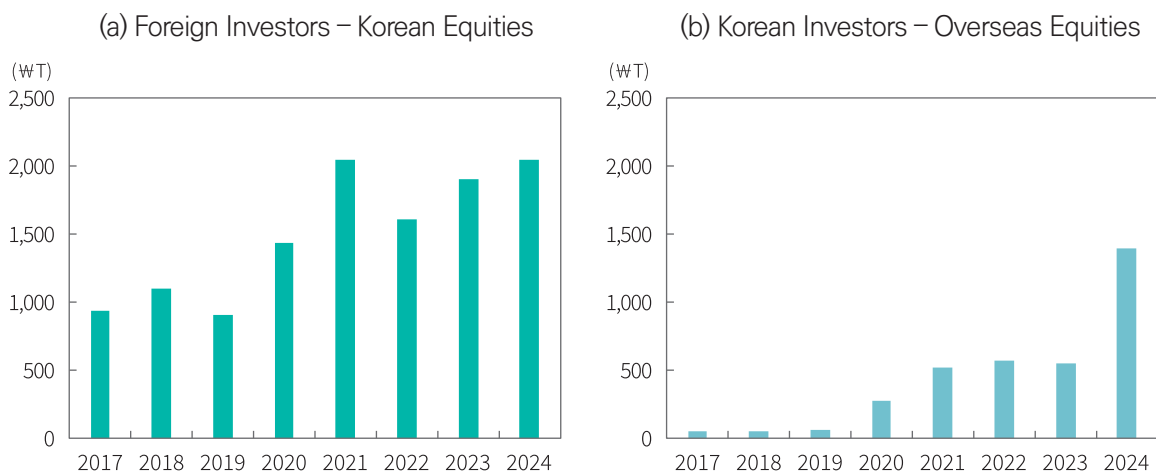
15) Blonien, P., Ober, A., 2025, Is 24/7 Trading Better? <https://ssrn.com/abstract=4942934>.

16) The Economist, 2025. 6. 23, Why 24/7 trading is a bad idea.

The impact of extending trading hours will differ depending on the size and depth of each country’s stock market. However, once the United States, the world’s largest stock market, adopts 24-hour trading, other countries will have little choice but to follow. Keeping trading-hour restrictions in place would limit market accessibility for both domestic and foreign investors and ultimately weaken the competitiveness of their stock exchanges.

The same holds true for Korea. To prepare for intensifying global competition for liquidity, it will be essential to extend domestic trading hours. Otherwise, the Korean stock market may face disadvantages stemming from lower accessibility compared with other major markets, which could accelerate the outflow of domestic investors and discourage inflows from foreign investors. It is also noteworthy that, at present, the trading value of foreign investors in Korean equities still exceeds that of Korean investors in overseas equities.

**<Figure 3> Trends of Foreign Investors in Korean Equities and Korean Investors in Overseas Equities**



Note: The trading value of Korean investors in overseas equities refers to brokerage trading value conducted through domestic securities firms.

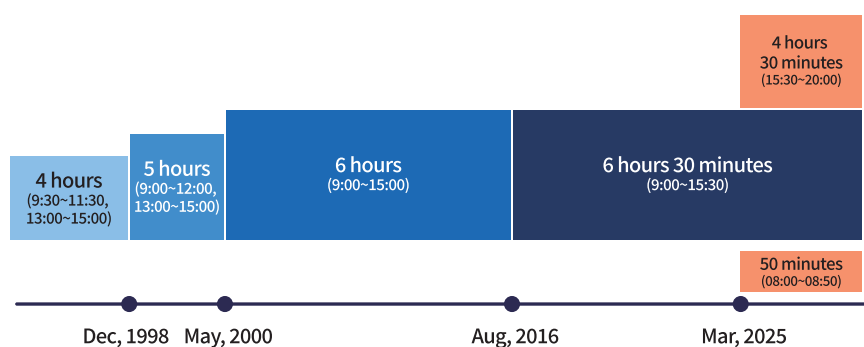
Source: Korea Exchange Market Data System, Financial Supervisory Service Financial Statistics Information System, author’s compilation.

From August 2016 until March 2025, when Korea’s first alternative trading system (ATS) was introduced, the regular market operated for 6 hours and 30 minutes per day, from 9:00 a.m. to 3:30 p.m., under a continuous auction system.<sup>17)</sup> Since the launch of the ATS on March 4, 2025,

17) Financial Services Commission, 2025. 2. 5, Final Authorization of Investment Brokerage Business for NEXTRADE, a Multilateral Trading Facility (MTF): ATS to Launch on March 4.

only the ATS has adopted an extended 12-hour trading session, running from 8:00 a.m. to 8:00 p.m.<sup>18)</sup>

<Figure 4> Evolution of Competitive Auction Trading Hours in the Korean Stock Market



Source: Korea Exchange, NEXTRADE, Author's compilation.

Therefore, to enhance both domestic and international market accessibility and strengthen global competitiveness, Korea's stock market should further extend its trading hours beyond the current level. In line with this objective, the Korea Exchange (KRX) has already announced plans to expand the trading hours of the KOSPI and KOSDAQ markets to a 12-hour system, aligning them with the alternative trading system.<sup>19)</sup> In the medium to long term, however, Korea should also consider adopting a 24-hour trading framework to improve foreign investor access to its market.

Extending trading hours alone will not be enough. To further strengthen the global competitiveness of Korea's stock market, it is essential to fundamentally enhance the investment attractiveness of Korean-listed companies. Even with longer trading hours, markets with relatively lower investment appeal may still lag behind in the global competition for liquidity. Moreover, both the institutional framework and market infrastructure must be improved. Regulatory systems should be refined to make it easier for foreign investors to participate in the Korean equity market, and the necessary infrastructure should be reinforced to ensure and preserve overall market stability.

18) Trading is paused for 10 minutes before market opening and closing, and for 10 minutes after closing, trades are executed through a single-price auction. Accordingly, the pre-market of the ATS operates from 8:00 a.m. to 8:50 a.m., and the after-market from 3:30 p.m. to 8:00 p.m.

19) Korea Economic Daily, 2025. 7. 31, Korea Exchange to Adopt a 12-Hour Trading Schedule.

Lastly, if trading hours are extended beyond the current level, not only stock market–related institutions but also securities firms may face additional financial and human resource costs.<sup>20)</sup> In particular, ensuring market stability would require significant additional investment to secure adequate facilities and personnel for market operations and surveillance. Considering these factors, it is important to carefully evaluate both domestic and foreign investor demand for longer trading hours in the Korean stock market.

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20) Since a 12-hour trading framework has already been established through the alternative trading system, the additional cost burden of extending the KOSPI and KOSDAQ markets to 12 hours may not be substantial. However, extending trading hours to a 24-hour system could involve considerable costs.