



Citadel's MTF targets Europe's investors-CEO

By Jane Baird
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LONDON (Reuters) — A new contender in Europe's competitive stock markets, backed by U.S. powerhouse Citadel, will guarantee small investors the best price from multiple trading platforms as it aims to gain a foothold on the continent.

Equiduct is offering a one-stop shop to retail investors after installing Peter Randall, former head of Chi-X Europe, as its chief executive in December.

"Equiduct has been on the edges of the execution service business in Europe, but with a new direction, new strategy, new owners and new management, Equiduct will position itself as a leading platform in Europe," Mr. Randall said in an interview.

Mr. Randall spearheaded Chi-X's growth to become the largest upstart European trading venue, known as a multilateral trading facility (MTF), and the only profitable one so far.

Equiduct's opportunity comes from the fragmentation of the market into dozens of trading venues after the European Union's markets in financial instruments directive (MiFID) opened exchanges to competition in 2007.

Retail investors can go to at least five venues to find good liquidity in a large number of blue-chip stocks, Mr. Randall said. There is no reliable data on the share of Europe's equity markets accounted for by retail trades, but most estimates put them at one in every three or four orders, he said.

Big institutional investors and their brokers use complex software systems to search through all marketplaces for the best price. But it is difficult for the retail investor and broker to connect to multiple venues with their different clearing and settlement systems.

Ultimate Price Comparison Site

The Equiduct platform has developed software to take in price feeds from trading platforms around Europe and determine the best price at any point in time in London, Mr. Randall said. "It's the ultimate price comparison site."

Citadel and other market-makers on the platform match these best bid and offer prices for retail brokers and their clients. Like old-style market-makers on the floor of an exchange, they profit from bid-offer spreads, but these are electronic operations that handle many trades quickly.

"Equiduct can guarantee the best price, because we have market-makers standing behind us ready to deliver that price," Mr. Randall said.

"Because the retail marketplace is so antiquated, there is an opportunity for somebody to get it right," said an execution specialist at a big European bank. "At the same time, retail investors will benefit because spreads will be tighter." In July, Citadel Securities bought a majority stake in Equiduct, which Boerse Berlin had launched in March, saying it planned to emulate the success of its investment in Direct Edge, one of the top four U.S. trading platforms.

Equiduct has a long way to go before it will challenge the large MTFs and exchanges. Its initial trading volume of €27,933 euros (\$37,770) in July rose to €26.1 million in December but slipped in February to €10.9 million, Thomson Reuters data shows.

Post-MiFID, the number of European share markets has multiplied to 49 according to the data, with analysts and bankers saying the EU has more than it needs.

But market players said the involvement of Citadel and Mr. Randall in Equiduct, as well as its retail strategy distinguish it from other new contenders.

"I would not underestimate what Peter is capable of doing, and with a big name like Citadel, that in itself goes a long way," said Sang Lee, a market structure specialist at consulting firm Aite Group.

Building Critical Mass

Equiduct must attract large numbers of small brokers to build the business, but Mr. Randall sees the potential for them to shift to a new system even faster than institutional brokers.

The trading platform charges retail brokers lower fees than they currently pay, he said. "A lot of these retail brokers have similar business models, so once one of the bigger brokers makes the change, then others will follow."

The European banker also said brokers who bring in large amounts of trades to the platform could obtain stakes in Equiduct — a strategy that Mr. Randall used to build critical mass at Chi-X.

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