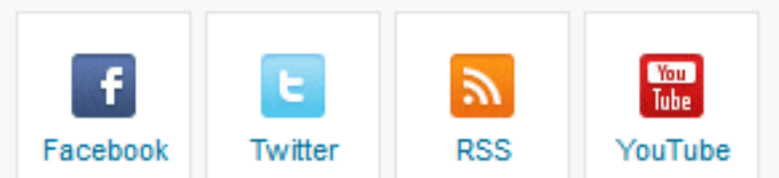


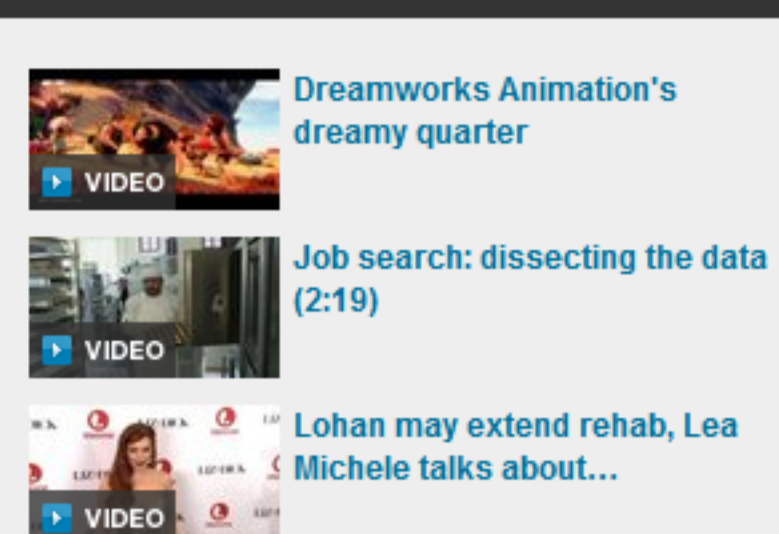


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UPDATE 1-ATS Brasil seeks to open exchange to compete against Bovespa

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Wed Jun 19, 2013 4:51pm EDT

\* Company expects new bourse to start operating next year

\* DirectEdge unveiled similar projects about a year ago
\* Shares of sole Brazil exchange BM&FBovespa sink 3.5 pct

By Guillermo Parra-Bernal and Natalia Gómez

SAO PAULO, June 19 (Reuters) - American Trading Systems Brasil has requested permission to open a financial exchange in Brazil that would compete against the Bovespa stock market, and is in advanced talks with potential partners to help fund the new enterprise.

ATS Brasil, as the company is known, may sell a 24 percent stake in itself to six to eight partners, Chief Executive Alan Gandelman said in an interview On Wednesday. The company is 80 percent-owned by Americas Trading Group, a Rio de Janeiro-based trading systems operator, and 20 percent-owned by NYSE Euronext, which would be ATS Brasil's main technology provider.

A new bourse in Brazil would allow ATS and peers like DirectEdge to challenge incumbent BM&FBovespa, which enjoys a near-monopoly on trading, clearing and settlement services for most locally traded shares.

Gandelman said the plan would also likely involve the creation of a clearinghouse, which would ensure that trades go ahead even if one of the parties defaults. BM&FBovespa has declined to make its clearing services available to third parties.

By finding partners for the new bourse, ATS Brasil would substantially slash the cost of building a clearinghouse, a time- and money-consuming enterprise.

In a filing with local securities regulator CVM seeking permission to a new exchange, ATS Brasil said on Wednesday the new stock market would boost trading volumes and liquidity in Brazil, Latin America's largest equities market.

"We are working with a lean, spartan structure that aims at producing very attractive margins and helps investors diversify their trading platforms," Gandelman said by phone from Rio de Janeiro, where the exchange would be based.

Shares of BM&FBovespa tumbled 4 percent on Wednesday to as low as 12.56 reais on Wednesday, extending this year's drop to 7.5 percent.

Many analysts have said a competitor to BM&FBovespa, which usually posts operating profit margins above 60 percent, could help improve pricing of Brazilian assets by attracting high-frequency traders, who require a system prepared to receive an enormous number of trading orders at ultra-high speeds.

Gandelman said he expects ATS Brasil to boost trading volumes in the Brazilian equity markets by 15 percent within its first year of operation.

He said the exchange would first offer trading of cash equities as well as exchange-traded funds, and eventually allow investors to trade equity derivatives and other securities. ATS Brasil, he said, will help bring down transaction costs, boost liquidity and lure more investors to Brazil - one of the world's most expensive markets for trading financial instruments.

Currently there are no legal rules in place requiring BM&FBovespa to sell or rent clearing services.

In Brazil, trading transactions are settled through a central counterparty clearinghouse, a complex and capital-intensive venture. Unlike in the United States, exchanges in Brazil have to identify final buyers and sellers, not brokers, on a given deal and cannot execute orders involving exchanges in other countries.

In November, ATS Brasil executives said the new exchange would rent BM&FBovespa's clearinghouse, even though the Sao Paulo-based exchange has said it is unlikely to share its facilities until at least 2014.

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