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## UPDATE: ATS Brasil Requests Stock Exchange License to Operate in Brazil

Article

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(Updates with interview with ATS Brasil CEO Alan Gandelman, analyst comment.)

By [Luciana Magalhaes](#)

SAO PAULO—A joint venture of NYSE Euronext (NYSE) and Americas Trading Group, or ATG, has asked permission to launch a stock exchange in Brazil that, if approved, would be the first competitor for BM&FBovespa SA (BVMF3.BR) in more than a decade.

Americas Trading System Brasil expects to secure approval from Brazil's securities and exchange regulator, or CVM, within around six months, and aims to start operations in the first half of 2014, ATS Brasil Chief Executive Alan Gandelman said in interview. It plans to launch with equities trading and soon after will add equities derivatives, he said.

The news comes as the local stock market has been performing badly: The benchmark Ibovespa stocks index is down close to 20% year-to-date amid worries about slow economic growth and persistent high inflation. There are also concerns the U.S. Federal Reserve might announce an easing of its bond-buying policy, which could lead to an even stronger U.S. dollar and a reversal of investment flows from emerging markets to the U.S.

"The outlook for local stocks is not favorable, at least for the next year," said Joao Pedro Brugger, an analyst at Brazilian brokerage Leme Investimentos. "In the long run, however, we have a positive view of the Brazilian market and believe it will benefit from having another stock exchange."

Equities trading on Brazil's sole stock-exchange operator, BM&FBovespa SA, hit a record 1.78 trillion reais (\$820 billion) in 2012. ATS aims to capture a 15% share of the Brazilian equity market within two years of start-up.

"We believe we are coming to Brazil in an interesting time, as we expect investors to come back to the stock exchanges in the short or medium term," Mr. Gandelman said, noting that he believes recent losses have been exaggerated.

ATG owns 80% of ATS Brasil. NYSE Technologies, the technology arm of NYSE Euronext, has a 20% stake, although those stakes likely will change as the company aims to sign up as many as eight banks and money-management firms to guarantee trading volumes. Mr. Gandelman said the new partnerships likely will be determined by the end of July, and they collectively may take as much as a 24% stake in ATS.

A few other international companies have shown an interest in entering the Brazilian market, but their plans haven't moved forward yet. One major obstacle to new players is the lack of access to a clearinghouse, where equities trades are processed. BM&FBovespa owns the only clearinghouse in Brazil, and it has said several times it isn't yet open to the possibility of allowing competitors to use its system.

ATS Brasil already has found a solution to clear its trading without the use of the local stock exchange, Mr. Gandelman said, though he didn't provide more details.

New Jersey-based Direct Edge Holding LLC has delayed plans to request an operating license, but says it continues working on it.

Kansas-based BATS Global Markets and asset-management firm Claritas have said they were studying the possibility of launching a competitor to BM&FBovespa, but plans haven't advanced.

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