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NYSE-ATG Venture in Brazil Aims to Bring in New Partners

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By Luciana Magalhaes

Americas Trading System Brasil, the Brazilian joint venture of NYSE Euronext (NYSE +0.24%) and Americas Trading Group, is in talks with local and international banks and investment funds to form so-called liquidity partnerships, its CEO said Tuesday.

"The bank or fund will trade liquidity for equity," CEO Alan Gandelman said in an interview. In other words, the financial partners will provide liquidity to the new trading platform and in exchange they will have a stake in the company.

ATS, which plans to start operations in the first half of 2014, could be the first competitor to Brazil's sole stock-exchange operator BM&F Bovespa SA (BVMF3.BR +0.75%). Several companies have indicated they would like to enter the Brazilian market, but haven't yet made a formal request to the local securities and exchange commission.

Potential competitors to the country's only bourse face significant barriers of entry, including the clearinghouse to process trades.

BM&F Bovespa has indicated it doesn't want to share its clearing platform until the end of 2015 at the earliest.

ATS, which had planned to use BM&F Bovespa's clearinghouse, never made a formal request to the stock exchange, Gandelman said.

Instead, it decided to consider other alternatives. "Currently we are not talking to the exchange about it, but I can say the clearings situation has been solved," he added, without providing other details.

ATS is currently in advanced talks with three potential liquidity partners and expects to sign the agreements before the end of the month, Gandelman added.

The trading platform intends to sign partnerships with a minimum of three financial institutions and a maximum of eight, the executive said, explaining there could be some flexibility on those goals.

The liquidity partners might collectively own up to 24% of ATS, or up to 4% individually, Gandelman said.

Many of the financial institutions currently in talks with ATS are publicly traded companies, he added. If all goes as planned, an announcement on its new capital structure and partners would be made by the end of April. ATS will then apply for a license to operate an equities platform in Brazil in May.

The company originally planned to request the license in March, but decided to postpone it to create the new partnership structure, which was suggested by NYSE, he said.

Among the world's stock exchanges, BM&F Bovespa was ranked 13th, with a \$1.24 trillion market value of the companies that trade on it, according to the World Federation of Exchanges.

ATS seeks to secure a share of around 10% to 15% in Brazil's equities trading market by around the end of 2014. Its trading platform will initially operate via the over-the-counter market.



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