

Direct Edge wants to launch two US stock exchanges

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NEW YORK, May 7 (Reuters) - Fast-growing U.S. stock trading venue Direct Edge said on Thursday its wants to turn itself into two stock exchanges later this year.

The company said it filed applications with the U.S. Securities and Exchange Commission late on Wednesday. It is now an electronic communication network, or ECN, that matches equity transactions on two separate platforms.

Direct Edge was the third-biggest U.S. stock trading venue last month and has helped spark a four-way pricing war that has made it dramatically cheaper to trade U.S. stocks. It has long said it would apply to become an exchange.

"We feel having an exchange license gives us greater ability to expand into other products, expand internationally, get more revenue from market data," Direct Edge CEO William O'Brien said in an interview.

Direct Edge expects to begin "acceptance testing" of the exchanges in the third quarter of this year and to launch them in the fourth quarter, pending SEC approval.

Its ECN trading systems, called EDGX and EDGA, would become national securities exchanges under the plan. O'Brien added "exchange status will give a boost to our brand."

Direct Edge and its slightly older peer, BATS Trading, exploded into equity trading over the last couple years, driving down prices and eating into the NYSE's and Nasdaq's market share.

Its market share has jumped more than 70 percent since October, the steepest phase of the market selloff. It represented 12.5 percent of U.S. matched market share in April, compared with 10 percent at BATS Exchange, which became a formal exchange last year.

NYSE Euronext's two platforms, the Big Board and Arca combined, matches the most U.S. equity trades, followed by Nasdaq OMX's Nasdaq Stock Market. Direct Edge's market share surpassed BATS this year.

Direct Edge has consistently offered low prices in exchange-traded funds, or ETFs, products whose popularity has bloomed along with the venue. ETF volumes recently surpassed that of Nasdaq-listed stocks for the first time.

The New Jersey-based company is backed by Goldman Sachs Group Inc, Citadel, Knight Capital Group Inc, and the International Securities Exchange, the second-biggest U.S. options market.

The backers drive trading to Direct Edge in an attempt to keep overall fees lower. The fee revenues U.S. venues derive from Nasdaq-listed stocks have fallen about 35 percent in two years, according to Equity Research Desk.

(Editing by Gunna Dickson; Editing by Andre Grenon)