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## **JSE to open London-based trading hub**

By Philip Stafford

The Johannesburg Stock Exchange (JSE) is to reduce its dependence on the trading infrastructure of the London Stock Exchange and create its own European-based trading hub after agreeing a hosting deal with Fixnetix, a UK trading technology company.

Fixnetix will provide the hardware to allow investors in Europe to take market data and trade equities on Africa's largest bourse from next year.

The JSE's move to set up a trading hub more than 5,000 miles from its domestic market reflects both its desire to attract high frequency trading firms and the rapid improvements in technology that made the move possible.

"Ultimately, the agreement with Fixnetix and the new trading system will offer improved access to the JSE markets and may play a role in the JSE competing for trading volumes," said Leanne Parsons, head of equities at the exchange.

Exchanges around the world have been keen to lure high speed traders with co-location services, in which traders and institutions place their routers and servers as close as possible to the exchange trading engine, often within the same data centre, to reduce the distance an order must travel.

The JSE has been disadvantaged by geography. Currently, an order placed by a UK-based investor would travel between London and Johannesburg four times, adding critical milliseconds to execution times. The new arrangement will halve those times.

The exchange, home to Anglo American, Sasol and BHP Billiton, is particularly keen to exploit global demand to trade commodity-related stocks. It has been overhauling its trading infrastructure by taking the new Millennium platform from the LSE and building a new data centre.

The new Fixnetix-provider hub will be based in Slough. Although the Berkshire town is some 40 miles from the City of London, it is one of Europe's densest trading locations. BATS Chi-X Europe, Icap and Thomson Reuters all host operations there and its location makes it attractive for investors trading between London and North America. The new hub will also allow the JSE to move its equity market trading engine from the LSE's data centre to Johannesburg.

The venture marks another notable deal for Fixnetix, named recently by Deloitte as the fastest-growing technology company in the UK by revenues over the last five years. From revenues of virtually less than £1m in 2008, it made a pre-tax profit of £730,000 from revenues of £25m in the year to March 11. A new microchip designed to facilitate ultra-high frequency trading and the JSE deal is likely to boost earnings in the current year.

It has held talks with customers and several major exchanges including the LSE about a possible full or partial sale as it looks to expand into Asia.

The new services will be launched in the middle of 2012 trading equities but the exchange said it may also offer access to other asset classes in future. The JSE also trades equity derivatives, commodity derivatives, currency derivatives and interest rate instruments.