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Marex circles prop trading firm

by Tom Osborn

Marex Spectron, the futures brokerage backed by several former Lehman brother executives, is finalising a deal to buy all or part of London proprietary trading firm Schneider Trading Associates, people familiar with the matter said, as the firm continues its aggressive growth by acquisition strategy.

Marex has expanded aggressively since being taken private in 2010 by JRJ Ventures, the private equity group founded by former Lehman executives Roger Nagioff and Jeremy Isaacs. Nagioff, previously the bank's global head of fixed income, was parachuted in to serve as Marex chief executive.

Schneider runs a broking and proprietary trading business, allowing independent traders using their own capital to access global futures markets, offering them a desk and a high-speed connection to leading exchanges. Schneider's core trading arcade business employs more than 100 support staff. It is understood the target of Marex's acquisition is Schneider's market-leading trading technology, including its Financial Market Engineering subsidiary, which uses specialised self-built technology to act as a liquidity provider on several futures exchanges.

"They certainly seem to be interested in the technology side of the business, but they're keeping their cards close to their chest," said one market watcher.

Marex and Schneider declined to comment, though an announcement from both parties is understood to be imminent.

Schneider has made a push into equity options and foreign exchange broking in recent years, with its Schneider Brokerage unit acting for several tier-one banks and hedge funds. But falling volumes in core futures markets has put pressure on many independent trading houses, and seen some discretionary investors pushed out of the market by high-speed systematic trading firms.

Soon after being taken private Marex bought Norwegian oil brokerage Spectron for £94m, in March last year. That deal was followed by the acquisition of City asset management firm Eden Financial's equity and fixed income brokerage business in the summer.

Marex has also ramped up headcount to further its push in fixed income and foreign exchange markets, making another eight FX trading hires in the first quarter of 2012. They included the hire of former Canadian Imperial Bank of Commerce executive Chris Eagle as the brokerage's global head of FX. The firm recently moved to a much larger trading floor on London's Bishopsgate.

The firm is also eyeing regional hires in the Asian energy and commodity derivatives markets, as Financial News revealed in February.