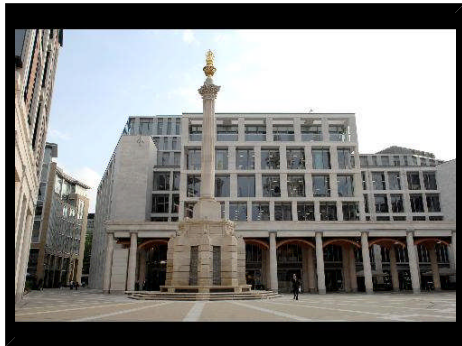





LSE Breaks Down in Biggest Failure in Eight Years (Update2)

[Share](#) | [Email](#) | [Print](#) | [A A A](#)

By Sarah Jones and Ambereen Choudhury



Sept. 8 (Bloomberg) -- **London Stock Exchange Group Plc**, operator of the world's fourth-largest market, broke down on the day European equities posted their biggest gain in five months, hurting clients who trade an average \$17.5 billion a day.

Trading resumed at 4 p.m. after an earlier computer failure left clients unable to buy or sell shares for about seven hours, according to the LSE's Web site. About 352 million shares, worth \$2.5 billion, changed hands in the first hour of trading before the halt, more than twice the amount in the same period a week ago, sending the FTSE-100 index up as much as 3.8 percent.

The breakdown left traders in Europe's financial capital in limbo as equities around the world rallied on the U.S. government's takeover of mortgage lenders Fannie Mae and Freddie Mac. The LSE, Europe's oldest independent exchange, said attempts to fix its biggest computer failure in more than eight years took ``longer than expected."

``The LSE will come out of this very, very badly," said **Omer Bhatti**, head sales trader at WorldSpreads Group Plc in London. ``People will begin to think seriously about having alternatives."

LSE faces competition from as many as seven new competitors, among them Chi-X Europe Ltd. and Turquoise, an electronic market backed by nine investment banks. Chi-X, which started in March last year and now accounts for about 18 percent of trading in FTSE 100 shares across exchanges, said it handled trades all day.

Stock Climb

The benchmark Dow Jones Euro Stoxx 50 Index advanced 2.9 percent, the biggest gain in about five months. Traders said they were unable to place orders for U.K. shares as stocks rallied. UBS AG was up 8.3 percent in Zurich, while Deutsche Bank AG advanced 6 percent in Frankfurt.

``It's so frustrating," said **Ian Murrell**, a director at Wills & Co. Stockbrokers Ltd. in London. ``We are appreciating what is going in other markets, which have moved on from the earlier levels. We just can't take advantage of it."

About \$4.9 billion of shares were traded after the London exchange re-opened today.

Trading at JSE Ltd., the operator of the Johannesburg stock exchange, also stopped today for more than six hours. The JSE relies on the London Stock Exchange's systems to process trades.

The LSE shut for almost eight hours on April 5, 2000, after a problem with the London Market Information Link, a computer system used to connect the exchange with data vendors and dealers. The exchange closed for a day on Oct. 16, 1987, after a severe storm battered southern England, leaving many traders unable to get to work.

LSE introduced the TradElect electronic trading system in June last year. Five months later, the LSE was forced to extend its closing auction after a similar fault left traders without live prices for 40 minutes.

Clara Furse

Chief Executive Officer **Clara Furse**, 50, who rejected a takeover offer last year from Nasdaq Stock Market Inc., said in a letter to the Financial Times today that the LSE ``recently introduced TradElect to ensure we remain at cutting edge."

``This kind of failure is injurious to London's status as a major financial centre," said Nemone Wynn-Evans, head of market development Plus Markets Group Plc, which runs an independent equity market in the U.K. ``It underlines the need for still more competition across the whole range of LSE stocks."

LSE, which started in 1698 when a group of brokers met in Jonathan's Coffee House to trade stocks and commodities, has a market value of about 2.17 billion pounds (\$3.8 billion). LSE has spurned five takeover approaches since December 2004, including from Euronext NV, Deutsche Boerse AG and twice from **Nasdaq Stock Market Inc.**

To contact the reporters on this story: **Sarah Thompson** in London at sthompson17@bloomberg.net; **Ambereen Choudhury** in London at achoudhury@bloomberg.net

Last Updated: September 8, 2008 11:58 EDT



©2009 BLOOMBERG L.P. ALL RIGHTS RESERVED. [Terms of Service](#) | [Privacy Policy](#) | [Trademarks](#)