

# WSJ News Exclusive | Citadel Securities to Buy NYSE Market-Making Unit of Smaller Rival IMC

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Electronic trading giant Citadel Securities will bolster its already huge presence at the New York Stock Exchange by buying the NYSE market-making business of smaller rival IMC Financial Markets, the companies said.

The deal would solidify Citadel Securities' status as the largest designated market maker at the exchange. DMM firms are tasked with ensuring orderly trading of stocks listed on the NYSE. They gain certain trading privileges in return, and their blue-jacketed traders occupy a prominent position in the center of the exchange's historic trading floor.

The deal is subject to approval by the NYSE. If it is completed, Citadel Securities **would oversee trading for more than half of the securities listed on the exchange**. It would also reduce the number of DMM firms at the Big Board to three from four, potentially raising concerns that the DMM business is becoming overly concentrated.



The Wall Street Journal first reported the deal, which the two firms later announced in a press release.

IMC, a global trading firm based in Amsterdam, runs the third-largest DMM business at the NYSE. Earlier this year, it oversaw trading in **18% of NYSE-listed stocks**, while Citadel Securities had a 44% share, according to a NYSE spreadsheet viewed by the Journal. The spreadsheet listed DMM assignments for more than 3,000 securities, including closed-end funds and preferred shares as well as the common stock of NYSE-listed companies.



New York-based **GTS**, which is seen as Citadel Securities' main rival in the DMM business, **oversaw trading in 37% of the stocks on the list**. GTS is currently the largest DMM based on the total combined market capitalization of its companies. But after the IMC deal, if approved, Citadel Securities would be larger by that measure, too.

Citadel Securities is the DMM for such stocks as [Nike Inc.](#), [Uber Technologies Inc.](#) and [Walmart Inc.](#) It was [selected last month as the market maker](#) for [Palantir Technologies Inc.](#)'s direct listing on the NYSE. With the IMC deal, Citadel Securities would add such stocks as [Boeing Co.](#) and [Verizon Communications Inc.](#) to its collection.

Under NYSE rules, exchange officials must consider how a proposed combination of two DMM firms would affect competition, and they can reject a deal if they deem it to cause a detrimental level of concentration. But the rule doesn't spell out what counts as too much concentration.

"We will review any proposed combinations as required by exchange rules," NYSE Chief Operating Officer Michael

Blaugrund said in a statement.

In years past, the NYSE has tried to **maintain diversity** in the DMM business. When [Barclays](#) PLC agreed to take over the market-making operations of LaBranche Co. in 2010, the exchange's regulators steered the bank to move part of its portfolio to another DMM, former NYSE officials said. Barclays later transferred about 350 securities to high-speed trader Getco.

Terms of the Citadel Securities-IMC transaction weren't disclosed, but a person familiar with the matter said the price was in the tens of millions of dollars. When IMC acquired its DMM unit from [Goldman Sachs Group](#) Inc. in 2014, [the price of the deal was under \\$30 million](#), the Journal reported at the time.

DMMs are often called by their old name, "**specialists**," even though the NYSE abandoned the term more than a decade ago. In the 1980s there were dozens of specialist firms, many of them small, family-run businesses. As trading volumes surged and markets went electronic, such firms were forced to consolidate. Today most DMMs are big, high-speed trading firms.

NYSE specialist firms commanded much higher price tags two decades ago, but their values have been eroded by regulatory changes and technological advances that slashed the profit margins of market makers. Such firms make money by quoting prices for stocks throughout the day and collecting a small spread between the buying and selling price of a stock.

Based in Chicago, Citadel Securities trades more than one in five of the shares that change hands in the U.S. stock market each day. It has a huge business executing orders for small investors using trading apps and online brokerages, like those run by [Charles Schwab](#) Corp. and Robinhood Markets Inc. Citadel Securities is majority-owned by billionaire Ken Griffin and affiliated with his hedge-fund firm, Citadel.

In the press release, IMC said that the DMM unit was a small part of its U.S. operations, and that the sale would help it focus on its options and exchange-traded fund business. Last year, IMC decided to wind down its European equities and exchange-traded funds businesses.

The deal is expected to close in the fourth quarter of 2020, according to the press release.

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