

Goldman in Talks to Sell NYSE Floor-Trading Unit to Dutch Firm

In Preliminary Agreement for Business Formerly Known as Spear, Leeds & Kellogg

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[Goldman Sachs Group](#) Inc is close to selling a once-iconic trading business based on the floor of the New York Stock Exchange for a fraction of what it paid less than 15 years ago, according to people familiar with the matter.

Goldman is in talks to sell the business, once part of Spear, Leeds & Kellogg LP, to Dutch firm IMC Financial Markets, the people said.

Goldman paid \$6.5 billion in 2000 for the business, which included a division that puts buyers and sellers together on the floor of the NYSE. A final deal isn't imminent, though the companies are discussing a price of as much as \$30 million, the people said, a reflection of the dramatic changes that have transformed U.S. markets since Goldman made the initial deal.

Remco Lenterman, chief executive of IMC Financial Markets, said the company doesn't "comment on rumors or speculation."

Goldman bought Spear, Leeds when it was the largest so-called specialist firm on the NYSE, making it a major force in U.S. equities trading. Its traders, called specialists, provided quotes for buyers and sellers of stocks throughout the day to facilitate trading. They would capture the spread between bids and offers on thousands of trades a day and were obligated to step in with their own capital when there were big imbalances.

Soon after the acquisition, however, stock trading began a rapid migration away from the floor-based model. Human traders were no longer fast enough to compete with computer algorithms designed to buy and sell in fractions of a second.

Designated market makers still maintain a presence on the floor of the New York Stock Exchange, but the traders themselves are responsible for a sliver of trading compared with the computerized systems executing orders.

As the profitability of the business declined in recent years, banks have begun to unload their market-making businesses to firms that had built up powerful electronic-trading capabilities.

In 2011, [Bank of America](#) Corp. sold its market-making business to Getco LLC, a high-frequency trading firm that merged with [Knight Capital](#) last year to form KCG Holdings Inc. Virtu Financial Inc., one of the largest high-frequency firms, also became a designated market maker in 2011 after buying the business from Cohen Capital Group.

IMC Financial Markets, a unit of IMC Group B.V., fits into the mold. The firm, founded in Amsterdam in 1989, is an electronic market maker on 90 exchanges around the world, according to its website.

Goldman's plans to sell the business also comes amid a broader review of the role high-frequency trading firms play in the marketplace. The Federal Bureau of Investigation said Monday it was investigating whether [high-speed traders were trading ahead of other investors](#) based on information that other traders can't see. The New York Attorney General has opened a probe, and the Securities and Exchange Commission has "a number" of [ongoing investigations related to high-frequency trading](#) and market structure, according to testimony on Tuesday from SEC Chairman [Mary Jo White](#).

"It might make sense to get out of the market-making business because the profits aren't there anymore, the risk is high and the regulators are looking at it closely," said Bernard Donefer, a Baruch College and New York University professor who studies capital markets. "Maybe they see the handwriting on the walls and want to concentrate their money on other lines of business."

Goldman's intention to sell the business was first reported by the Financial Times on Tuesday.

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