

PETS – An overview

Commercial

- ?? PETS is a platform for the trading of electronic securities. It could be used for anything from a small-scale electronic settlement operation through to a full-scale stock exchange.
- ?? PETS allows real time trading, with instantaneous settlement, for any security, 24 hours per day, in any currency, world wide.
- ?? PETS is owned by the Private Treaty Market Ltd (PTML). This is a wholly owned subsidiary of Private Trading Systems plc, a company traded on the PLUS exchange in the UK.
- ?? For regulatory reasons the technical and operation management of PETS will be carried out in Europe, with strategic, corporate, and investor issues dealt with in the UK.
- ?? PTML owns a Swiss company, PETS (Geneve) SA. Although the UK parent ultimately owns PETS, actual operation of the system is carried out by the Swiss subsidiary, with clearing and settlement operations via a partner in Switzerland, and with the trading system itself subject to Swiss law and regulation.
- ?? The instantaneous settlement functionality of PETS negates the need in many markets for “lending” of securities or cash in order to trade whilst awaiting settlement. In the PETS model of trading, you cannot buy or sell anything unless you have the cleared cash or securities available in your account to trade with. However once you have traded, the resultant cash or securities is then available instantly for further trading or transfer to any other account world-wide. We believe this will create a more open and honest market, and will greatly reduce the opportunity for unfair market manipulation.
- ?? Our long term vision for the future is one where PETS is recognised as the premier trading system for institutional and retail investors alike. We intend to become the “E-Bay” of the securities industry.

Technical

- ?? PETS can trade any instrument (e.g. Share, Bonds, Warrants etc) providing that instrument has a CINS number (i.e. the internationally recognised system for uniquely identifying electronic securities). In addition we have arrangements in place to take paper based securities and dematerialise them into electronic format. This gives us the capability to trade any security in the world.
- ?? PETS differs from other systems in that it uniquely combines the elements of a front office trading system, an exchange where deals are actually made, and a back office settlement and custodian system. These elements are tightly coupled, giving us the ability to offer real-time settlement, 24 hours/day 7 days per week, for any instrument in any currency anywhere in the world.
- ?? PETS has a partnership agreement with SBP, a Swiss bank based in Geneva, who carry out the back office settlement and custodian operations. Customer confidence is guaranteed in that assets held within PETS are held in accounts within SBP, and are subject to the normal levels of security that Swiss banks are renowned for. SBP in turn hold the assets in the worlds major clearing systems such as Clearstream and Euroclear. SBP's membership of these institutions enables them to quickly transfer customer assets in and out of PETS for trading purposes. Our future plans include widening the accessibility of the system, so that ultimately PETS would be able to access any account, with any institution, any where in the world.
- ?? PETS is an order book based system. Members of PETS place orders onto the system, either to buy or sell securities. These orders then become visible to all other members of PETS who can choose to take up those orders, or to make counter offers, perhaps at a different price or for a different volume. The system automatically matches orders, and electronically issues instructions to the back office systems in Geneva to actually transfer cash and securities in order to settle the trade. The whole process is highly automated, and from matching an order to completion takes only a few seconds. PETS does not act as a principal to any of the trades, rather the trades are arranged and completed on a peer-to-peer basis between members.
- ?? PETS is designed to be a distributed system. For instance if regulatory or commercial needs dictate there could be local instances of PETS, run by local institutions in various territories worldwide. All back office operations will be carried out by SBP in Geneva.
- ?? Just because PETS can trade anything, anytime, anywhere, doesn't mean that we will. Regulatory and commercial reasons will dictate what instruments become available for trading through PETS.