

## Business

# Trader at heart of crypto frenzy calls for UK to lead currency revolution

A little-known firm in West London is now the world's largest institutional exchange, finds *Simon Foy*

Shepherd's Bush may be better known for its retail prowess than its cryptocurrency credentials, but hidden just across the A3220 from Westfield shopping centre is the headquarters of the world's largest institutional crypto exchange: LMAX Group.

The little-known company, headed up by ex-banker David Mercer, was spun out of Betfair in 2012. Its main business is foreign exchange, but its move to the crypto market in 2018 has proved far more lucrative than Mercer could have ever imagined.

In May, a record \$74bn (£52.2bn) was traded on LMAX Digital, the group's crypto platform, compared with less than \$5bn a month this time last year.

The surge in activity has been driven by an uptick in interest in digital currencies over the past year, with companies including Mastercard and BlackRock revealing plans to incorporate crypto currencies into their businesses.

Bitcoin is up about 280pc in the past 12 months, while second-ranked Ether is up 1,000pc.

This has helped make the west London company second only to Coinbase in terms of crypto-to-fiat trading volumes.

But unlike the US exchange, LMAX only caters to institutional clients rather than retail traders, who have been blamed for the wild swings in currencies such as Dogecoin.

"We deliberately don't do retail," says Mercer, who has been chief executive of the company for the past decade. "Coinbase has 56m customers, we have about 500. But our goal is still to be the number one exchange in FX and crypto."

Through its foreign exchange platform, LMAX has relationships with 34 banks, of which 10 are currently dipping their toes into the crypto space and buying the company's market data.

"The banks are still battling with internal and external forces, but one very large investment bank is connected and is ready to trade. I expect them to trade in the next quarter," Mercer says.

Despite the company's recent strong performance, the crypto market – still

plagued with money laundering issues and other forms of illicit activity – remains littered with regulatory barriers and vocal detractors.

Policymakers are sceptical about its future. Last month Andrew Bailey, governor of the Bank of England, issued a stark warning to crypto investors, saying they should be prepared to lose all of their money.

Mercer, who previously worked at Credit Suisse, takes issue with Bailey's intervention.

"Some senior people in the markets, and that includes Elon Musk and Andrew Bailey, should be careful with

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their rhetoric. Of course anything can go to zero, but we need to be a bit more pragmatic about it," he says.

Being an institutional-only exchange, LMAX says it can vet customers more thoroughly than a retail competitor with tens of millions of clients. But recent pronouncements from UK regulators do not bode well for the nascent industry.

On Thursday, the City watchdog said an "unprecedented" number of crypto-asset businesses were failing to comply with UK anti-money laundering rules and withdrawing applications to register in the country.

Some banks have also stopped customers from transferring to crypto platforms amid rising fears that it has become a hotbed for financial crime.

Garrick Hileman, a visiting fellow at the London School of Economics whose research focuses on cryptocurrencies, says regulation in this space is a fast-moving landscape and some companies are struggling to understand the requirements.

He adds that the FCA needs to consider giving early start-ups room to operate so they can innovate and get their feet off the ground.

Mercer thinks the Government should use its post-Brexit freedoms to make the UK a global hub for fintech businesses, by cutting corporation tax and investing in technology.

"If Europe was a drag on our growth, well, we don't have that anymore so go and lead," he says.

Despite reservations about cryptocurrencies, the Bank of England under Bailey is examining the establishment of a central bank-backed digital currency, known as "Britcoin".

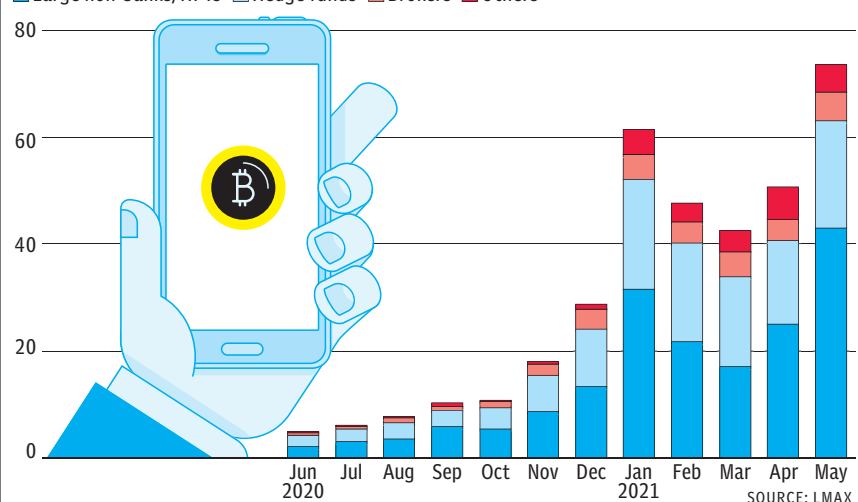
Mercer is convinced that the future of currencies will be digital and blockchain technology will transform settlements and payments and unlock sticking points in capital markets.

"I'm certainly an evangelist of that rather than an evangelist of any given currency," he says. "The winner could be the digital pound, digital dollar, or E-renminbi. All we do in exchanges is list liquid products and let people trade them."

## LMAX's crypto trading in May topped \$73bn

Monthly crypto trading volumes by client segment (\$bn)

Large non-banks/HFTs Hedge funds Brokers Others



SOURCE: LMAX