

FP INVESTING

THURSDAY, JANUARY 13, 2000

'Virtual' Exchange aims to capture global trade

Web site will provide conduit to Asian stock markets

BY JOHN SCHREINER

VANCOUVER • Toby Chu says there are 55 million Overseas Chinese and many of them would like an easy way of trading the stocks markets of Asia. He will learn if he is right in February when his Internet site, StockExchangeGlobal.com, goes live.

It is the first step in the Vancouver businessman's audacious effort to have what he calls "a virtual cyber stock exchange" operating within two years, with expatriates of many nationalities trading in the stock exchanges they left behind when they emigrated.

Mr. Chu, 38, a Hong Kong native who has lived in Canada for 30 years, is president of Capital Alliance Group Inc., a little-known Vancouver company that is raising \$15-million (US) to develop StockExchangeGlobal.

Capital Alliance used to be known as Annova Business Group Inc. It had a Vancouver office equipment business and operated business schools in China. In the 1998 reorganization to form Capital Alliance, the business products arm was sold and the schools grouped in a separate company.

Looking for other business ideas, Mr. Chu first considered acquiring an Internet stock trader until he saw the problems that established companies were having getting permission to deal with Asia. One such firm bought a Philippine broker in 1998 but has yet to have the license transferred. So Mr. Chu has



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Capital Alliance president, Toby Chu in his Vancouver office.

come up with a model that he believes is much more palatable to local regulators.

"We have an agreement that we will not become a broker," he says. "Local brokers are afraid of big Internet trading companies coming in but they are more than willing to partner with us."

StockExchangeGlobal is designed to work like this: beginning with eight Asian markets, Mr. Chu has signed

up, or soon will sign up, two local brokerage houses in each market as partners.

The proposed debut markets are Hong Kong, Malaysia, Shanghai, Shenzhen, Indonesia, India, the Philippines and Thailand.

To use Mr. Chu's service, an investor will go to the market of choice, select a broker and open an account. Once the investor gets the required password and has deposited

sufficient cash with the broker, trading can begin.

StockExchangeGlobal gets a transaction fee – Mr. Chu aims for an average of \$25 (US) paid by the brokers – for each trade.

He does not expect any difficulties with regulators because he is proposing only to be a conduit of business through what he calls "a financial portal ... we are bringing the order to a local broker who is fully licensed."

Beyond transacting orders, Mr. Chu's site also intends to let the brokerage firms provide their investment research to clients. The site also will be available for financial advertising, one of its chief revenue sources.

In Capital Alliance's business plan, StockExchangeGlobal will expand to markets in more than 40 nations around the world and there will be more than 900,000 accounts within five years. "The Internet is supposed to be global," he says. "So, what's the problem?"

The problem may be the competition that he is likely to encounter. In mid-December, for example, the Hong Kong Stock Exchange and Nasdaq announced a joint Internet service which they described as "the first such co-operative operation of its type by major securities markets."

This proposal stops well short of setting up trading arrangements, at least at this time. The site merely will let investors track their portfolios on Nasdaq, Amex and the Hong Kong exchange. Mr. Chu, however, sees this site as complementary to his, not competitive. If he is allowed to provide a link to it from his site, he believes the information there will enhance the usefulness of StockExchangeGlobal.