

J.P. Morgan May Cut the Cord for Traders

Bank in talks to move trading systems to Internet-based service maintained by Cloud9 Technologies

After decades of transmitting trades by phone line, J.P. Morgan Chase & Co. is in discussions to move its world-wide trading systems to an Internet-based service maintained by startup Cloud9 Technologies LLC. *PHOTO: GETTY IMAGES*

By **SARAH KROUSE** and **EMILY GLAZER**

April 12, 2016 6:00 a.m. ET

After decades of transmitting trades by phone line, J.P. Morgan Chase & Co. is close to cutting the cord.

The largest U.S. bank by assets said it is in discussions to move its world-wide trading systems to an Internet-based “cloud” computing service maintained by startup Cloud9 Technologies LLC. The New York bank lent money to Cloud9 last year, said Rick Smith, head of private investments at J.P. Morgan.

The company’s 8,000 traders for the first time could work from anywhere if the deal is completed. Cloud-based trading can happen on laptops and tablets. “We’ve had people trading in the Hamptons, from airplanes, from a speedboat,” said Gerald Starr, chief executive of Cloud9, who worked previously for several trading technology firms.

Wall Street for decades has relied on telephone lines connected to workstations to transfer trading data and record phone conversations. But some of the biggest U.S. banks have been considering shifting some services to the cloud, where they can rent computing power from companies that maintain large clusters of servers rather than running their own data centers. The moves have been slowed by concerns about the security of the business.

J.P. Morgan hasn’t signed a contract yet, and any changes would take years to implement. It is considering the technology because it has the potential to cut costs, allow flexibility for traders and eliminate the need for a separate facility in a disaster recovery scenario, Mr. Smith said. It also has higher voice quality and data security than the bank’s current internal system, he added.

“We view it as an opportunity to save money for the firm and to have a better voice communications system across the trading marketplace,” Mr. Smith said.

New York-based Cloud9, which relies on Amazon.com Inc.’s cloud-computing service, has attracted investments of “tens of millions” from J.P. Morgan, ICAP PLC and Barclays PLC in a new funding round, the company said.

J.P. Morgan and ICAP also lent the firm a smaller amount in August 2015, Mr. Smith said. That debt is converting to equity and the two firms, along with Barclays, are adding additional investments, he added.

J.P. Morgan was among a number of brokerage and commodities advisers that agreed to use the new technology in recent months, and the system is now used by 2,000 traders across 350 firms in 21 countries, according to Cloud9 executives.

Out of roughly 200,000 traders at financial firms globally, Cloud9’s software has the potential to save around \$1 billion in costs, the startup said. It is unclear how much this could save J.P. Morgan, which has heightened its focus on cost-cutting over the last two years.



Write to Sarah Krouse at sarah.krouse@wsj.com and Emily Glazer at emily.glazer@wsj.com