

E-Trade to Unveil Global Trading Platform

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By JOE BEL BRUNO

NEW YORK (AP) - E-Trade Financial Corp. ([ETFCP](#)) on Tuesday unveiled a global trading platform that makes it the first U.S. discount brokerage to give customers the ability to trade foreign-listed stocks online.

The pilot project, which begins with 1,000 E-Trade customers this week, allows them to buy, hold and sell stocks in Canada, France, Germany, Hong Kong, Japan and Britain. The rollout is expected to take two months before all customers have access, and could one day expand to 42 international markets.

The launch unlocks thousands of stocks previously unavailable to online traders, and pressures top rivals Charles Schwab Corp. ([SCHW](#)) and TD Ameritrade Holding Corp. ([AMTD](#)) to make similar moves. It also comes as stock exchanges in Asia have bounced to unprecedented highs and far outpaced Western markets.

"Nobody can deny the world is becoming more interconnected, a more global community," said President and Chief Operating Officer Jarrett Lilien in an interview. "I think our competition is going to have to follow. This is going to be a fundamental part of investing."

Previously, retail investors who wanted to buy foreign stocks that were not listed on U.S. exchanges as American Depositary Receipts had to call brokers and accept commission fees that topped \$100. E-Trade will charge a \$20 commission, and also give customers the ability to move U.S. dollar accounts into foreign currencies.

The ability to keep the commission low is because E-Trade already has operations set up in 15 countries where customers have access to both local and U.S. stocks. This international network means E-Trade doesn't have to pay a third-party to execute transactions because it is already doing so as a licensed broker in these countries.

The E-Trade commission for cross-border transactions is higher than what U.S. online brokers charge for domestic trades. There has been a major price war in the past few years among discount brokerages and banks that offer online trading.

Wells Fargo & Co. ([WFC](#)) announced earlier this month it will offer up to 100 free online trades a year to customers with at least \$25,000 in balances at the bank. Most of the online brokerages charge under \$13 for most trades.

"Schwab and Ameritrade pulled back their international efforts since the (dot-com) bubble burst, so it really is E-Trade being dominant in that space," said Richard Repetto, an analyst with Sandler O'Neill & Partners. "I'm not sure if it transforms the business, but it helps them."

Until now, most average investors were pretty much restricted to owning mutual funds or electronically traded funds - commonly known as ETFs - with stocks from a particular market. Most retail investors have shied away from owning foreign stocks because there isn't as much research available to them, while funds tend to spread the risk.

There's a growing consensus on Wall Street that investors should diversify overseas, appropriating 25 percent of their portfolio to foreign investments. More and more Americans are sinking cash into mutual funds outside the U.S., where last year saw broad advances.

For example, funds that tracked the Asia-Pacific region - excluding Japan - had a 29.61 percent return last year, according to Lipper. Latin American funds jumped 43.73 percent, while those tracking China returned a staggering 61.51 percent in 2006.

Lilien believes the timing is now right where investors are becoming more interested in buying stocks outside of the U.S. E-Trade tinkered with the idea of offering cross-border trading off and on during since 1999, he said.

However, the demand just wasn't there after the dot-com bubble burst in 2001. Wall Street meandered before steadily moving higher in the past four years.

"It was only a matter of time when the U.S. investor became interested and ready for global stock trading," Lilien said.

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"International is a fundamental part of everyone's portfolio, and I don't think that's going to change."

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