Knight Capital says it has $400M financing deal

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(AP) — Knight Capital says investors have agreed to supply it with $400 million in financing, which would help the trading firm stay in business after last week's disastrous software glitch that shook U.S. stock trading and jeopardized its future.

The company said in a regulatory filing on Monday that the unnamed investors agreed to buy $400 million of preferred stock that will be converted into about 267 million of its shares.

Knight Capital Group Inc. expects the transaction to be completed later in the day. A representative for the company could not be immediately reached for comment.

A CNBC report on Sunday said those supplying the financing included the brokerage firm TD Ameritrade Holding Corp., private equity firms General Atlantic and Blackstone and brokerage and investment bank Stifel Nicolas.

While the company was said to be working on putting together the deal throughout the weekend in order to assure investors before Monday's market open, it may still need to do some convincing. Shares of Knight Capital slid $1.23, or 30.4 percent, to $2.82 in premarket trading.

The company takes orders from big brokers like TD Ameritrade and E-Trade. It then routes them to the exchanges where stocks are traded, like the New York Stock Exchange.

Knight Capital has been fighting for survival since Wednesday, when a problem with a newly installed piece of software wound up funneling erroneous orders for some 140 stocks to the market for the first 45 minutes of trading. That caused shares of some stocks to swing wildly.

Those 45 minutes have been devastating for Knight, which has scrambled to reassure clients and investors that it's got things under control. The head of the Securities and Exchange Commission on Friday publicly called the incident "unacceptable."

Knight was responsible for some $440 million to cover the mistaken trades, or nearly four times what it earned last year. That expense, it said, "severely impacted" its capital base, and the company said it might be forced to sell itself.

Knight's blunder revives a thorny debate in the financial system about the merits of high-speed trading, where lightning-fast mathematical models trade stocks in milliseconds and, as recent mistakes indicates, strain the system that is supposed to handle them.

The foul-up was the latest in a string of high-profile technical problems that have left some investors convinced they can't trust the financial markets. The biggest was the "flash crash" in May 2010, when a computer problem caused the Dow Jones industrial average to drop nearly 600 points in five minutes. The most recent was Facebook's debut on the Nasdaq stock exchange in May, when technical problems at Nasdaq kept some investors from knowing if their trades had gone through