

# Competition Among Exchanges & What it Means to Chicago & the Financial Industry

## Futures Exchanges

Russ Rausch  
Trading Technologies



Why Futures exist – Manage Risk of an Asset

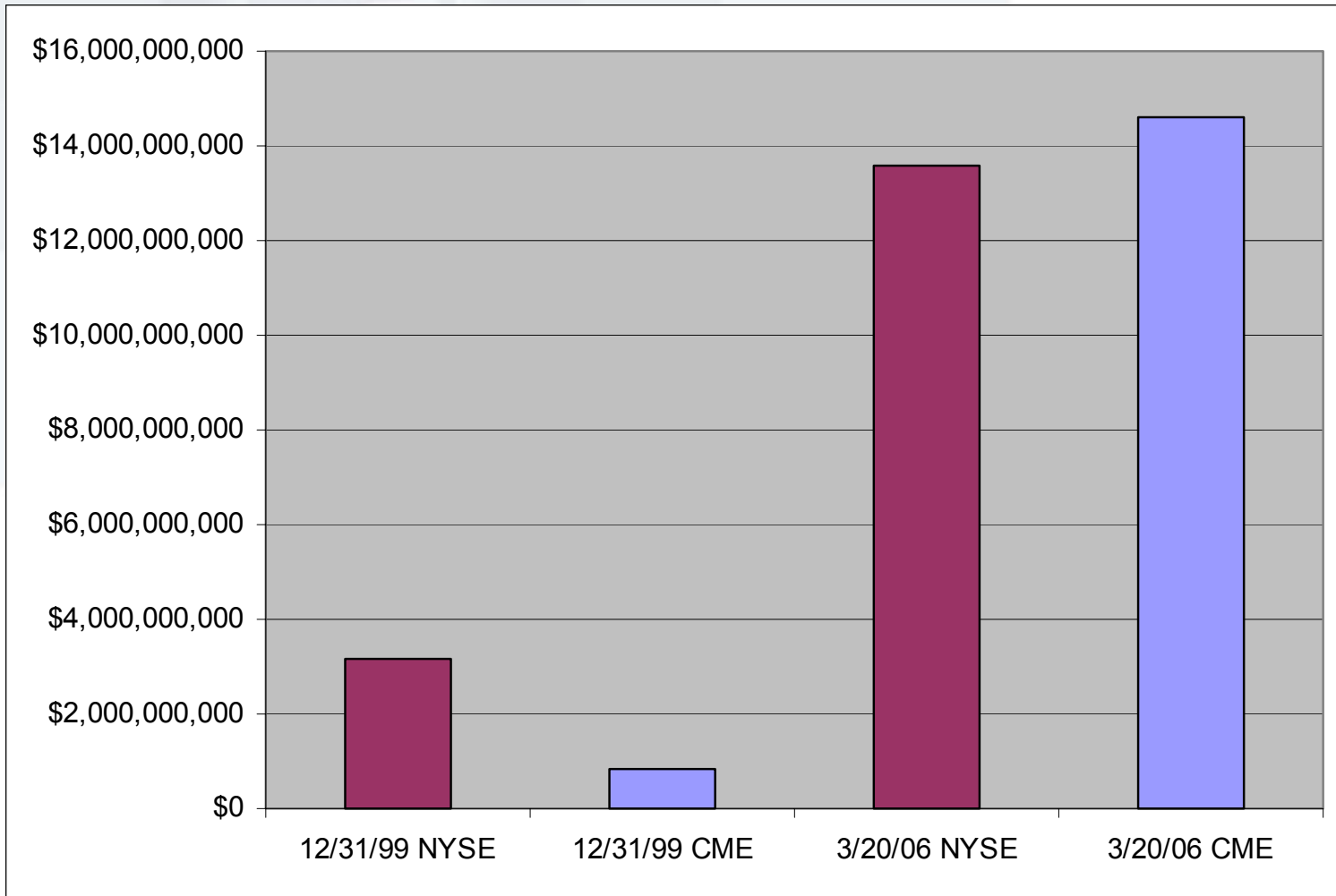
End user types – hedgers & speculators

Participants – Traders / ISVs / Brokers / Exchanges

Big 4 – 2 Are From Chicago

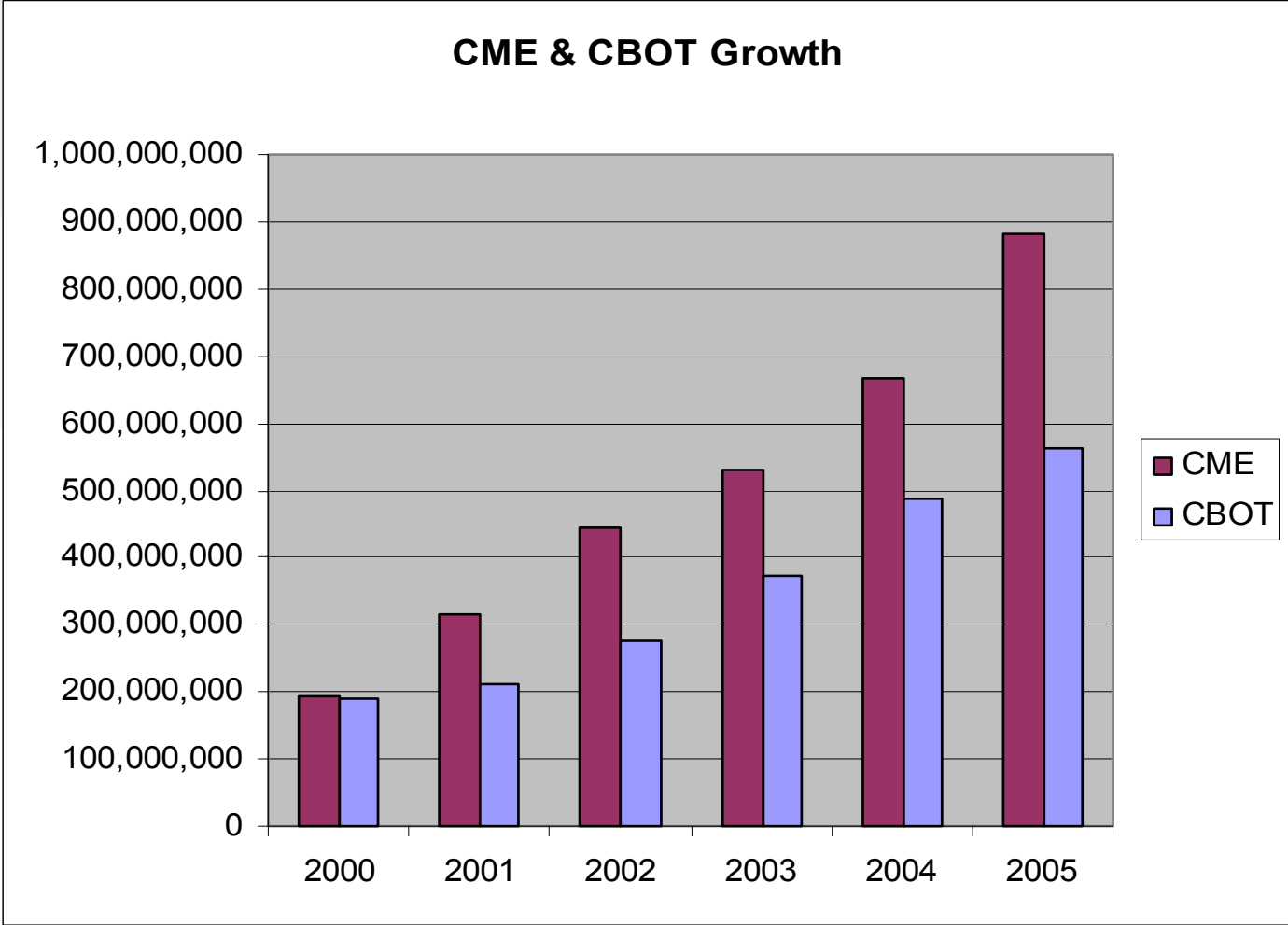
Chicago – CME, CBOT, CFE, CCX

# Futures Has Come a Long Way

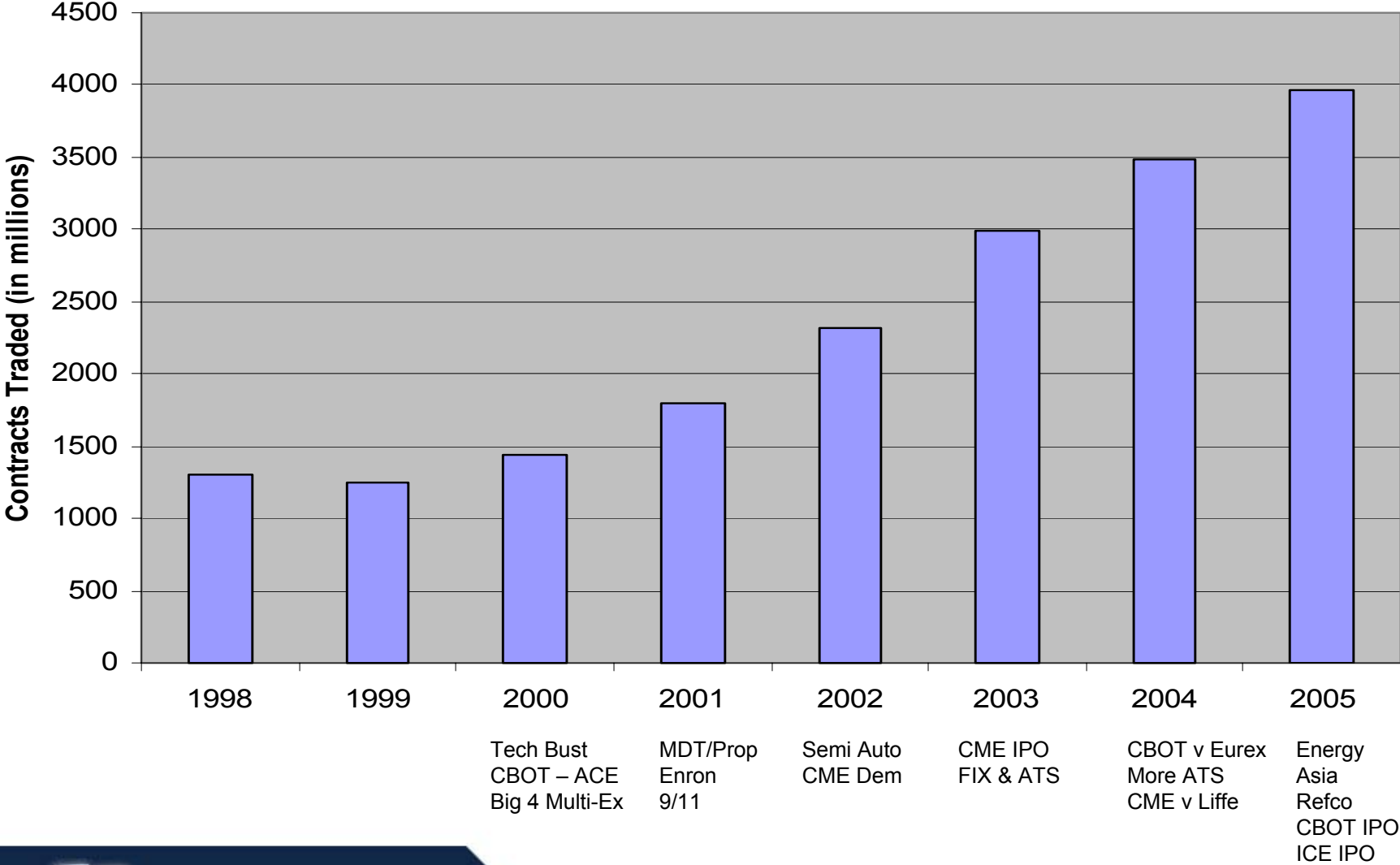


# Volume Growth





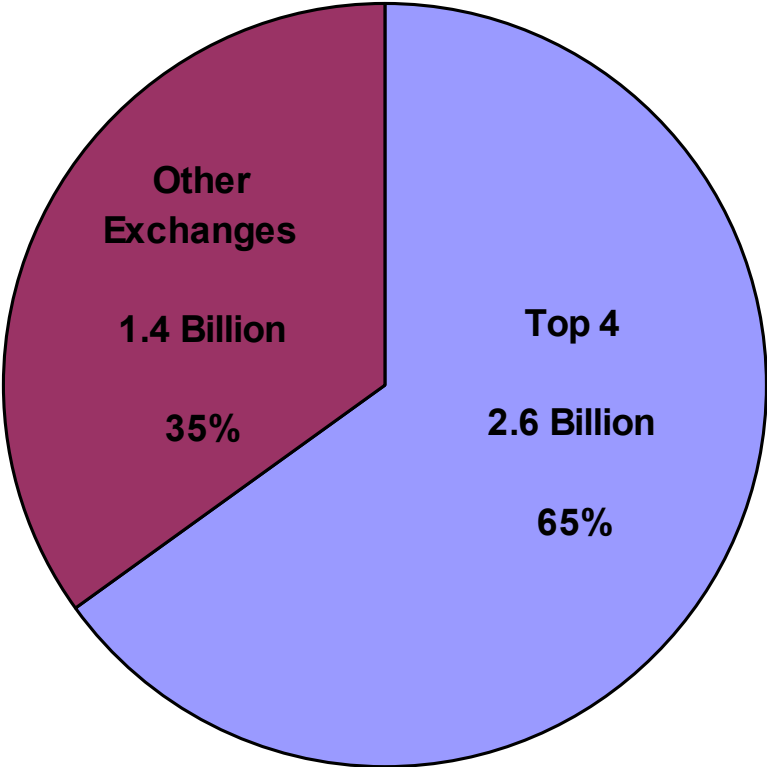
# Global Exchange Futures Volume Growth – A Perfect Storm





# Volume Profile





**CBOT**  
**CME**  
**Eurex**  
**LIFFE**





## Big 4 plus NYMEX, IPE, & LME 2004 Futures Volumes by Contract Type

Contract Type	<u>Eurex</u>	<u>CME</u>	<u>CBOT</u>	<u>Liffe</u>	<u>IPE/NYMEX/LME</u>	
Interest	522,775,335	300,849,399	397,119,229	236,840,137		<b>61%</b>
Equity	161,776,774	306,058,836	23,276,014	66,223,996		<b>23%</b>
Energy					145,522,653	<b>6%</b>
Metals			726,796		90,400,509	<b>4%</b>
Agriculture		9,203,925	68,108,105	7,637,532		<b>4%</b>
Currency	78,393	48,772,627				<b>2%</b>
<b>Totals</b>	<b>684,630,502</b>	<b>664,884,787</b>	<b>489,230,144</b>	<b>310,701,665</b>	<b>235,923,162</b>	

# Competition



	<b>Derivatives Value</b>	<b>Total Value</b>
<b>CME</b>	\$14.3 B	\$14.3 B
<b>Eurex</b>	\$10 B	\$13.5 B
<b>CBOT</b>	\$5.5 B	\$5.5 B
<b>EN Liffe</b>	\$4 B	\$7 B
<b>ICE</b>	\$3.1 B	\$3.1 B
<b>NYMEX</b>	\$4.1 B	\$4.1 B
	<u>\$41 B</u>	<u>\$47.5 B</u>



### Direct Contract Competition – e vs. e

2004 – Eurex vs. CBOT	US Treasuries
2004 – LIFFE vs. CME	Eurodollars
2005 – Eurex vs. CME	FX
2005 – Eurex vs. CME	Russell

Hard to displace contracts in electronic markets

- Absence of independent common clearing – open interest for hedgers
- Highly efficient & liquid markets

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<Default>					108295	573					
703					108290	894					
0					108285	788					
0					108280	865					
1	5				108275	961					
10	20				108270	1095					
50	100				108265	1331					
CLR					108260	18					
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					480	108220					
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## Great Markets

- Deep & Liquid
- Transparency & Price Discovery
- Fast & Predictable – FIFO Matching
- Low Friction – Cost & Access
- Low Slippage
- No Counterparty Risk
  
- High Leverage
- Tax Advantages
- Flexibility in Down Markets
- Feature Rich Front-End SW



### Indirect Competition

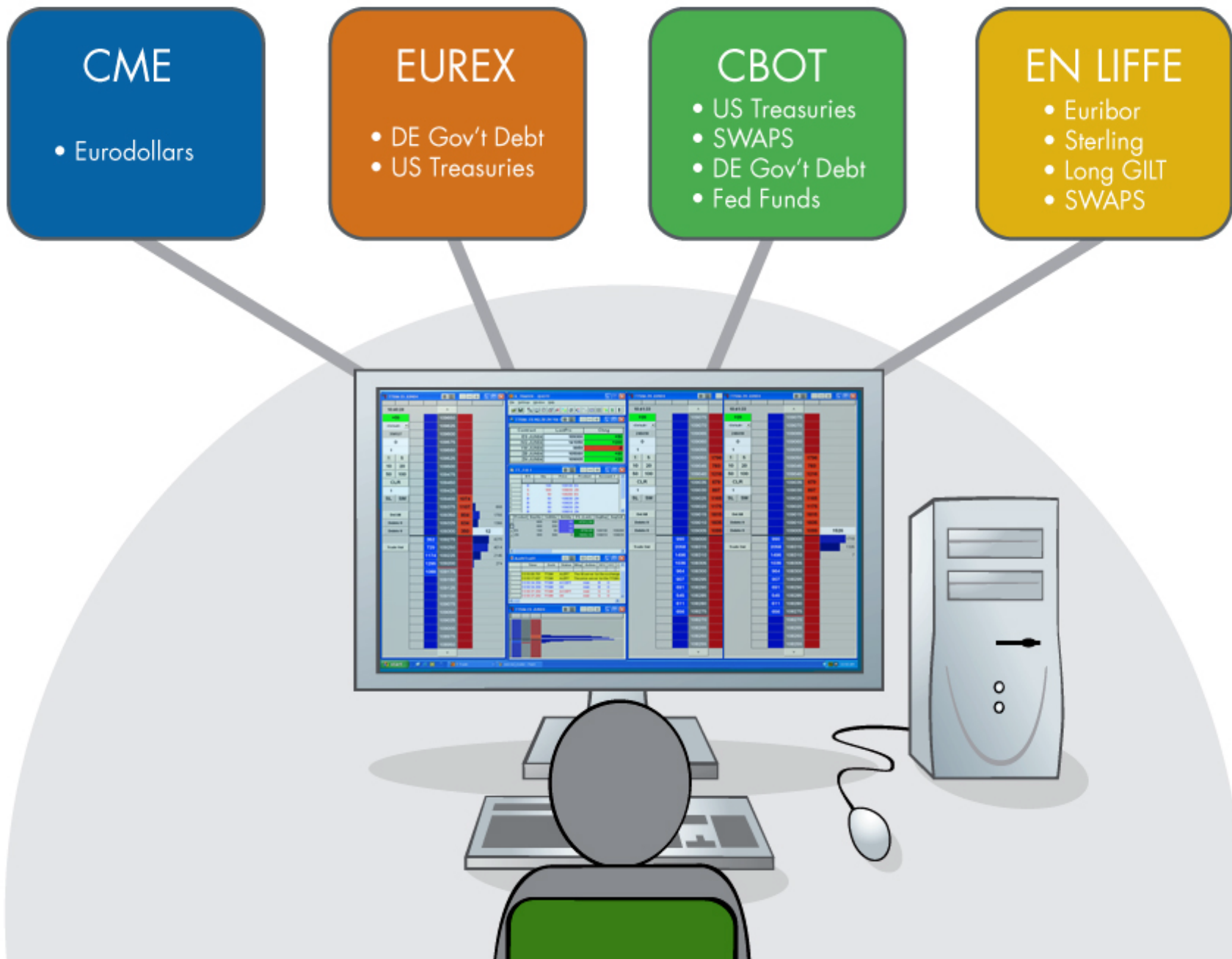
Long-Term Interest Rate  
Short-Term Interest Rate  
Equity Index  
Energy  
Over the counter

US Treasuries vs. German Gov't Debt  
Eurodollars vs. Euribor  
S&P / Nasdaq / Eurostoxx / DAX / FTSE  
WTI vs. Brent Crude

Indirect competition is effective on the proprietary side

- Multi-exchange execution from one screen
- Automated & semi-automated trading capabilities

# Multi-Exchange Trading Platform with Front End Functionality Facilitates Indirect Competition



A man with short, dark, curly hair and a serious expression is shown from the chest up. He is wearing a red robe with black lapels and cuffs, and a black sash. He is pointing his right hand forward and slightly to the right. The background is a textured, brown, fringed wall.

# **Opportunities And Impact**

### Chicago:

- Industry leaders – exchanges & technology providers
- Great environment for traders – great community

### Financial Industry:

- Great futures markets to off load and manage risk
- Great markets for traders to speculate
- E-trading continues to grow – improving access & decreasing cost
- Energy (NYMEX / ICE / CME) & Commodities (CBOT / KCBT / MGE / WCE & Asia) – will go electronic
- Asia – China – opening up
- Hedge Funds
  
- Lack of Direct Competition increases costs but creates strong markets

# Americas

- CME
- CBOT
- ICE
- NYMEX
- NYBOT
- Montreal
- Brazil
- Mex Der

# Europe

- Eurex
- EN Liffe
- LME
- MEFF
- IDEX
- OM
- Russia

# Asia

- Sydney
- TSE
- TFX
- Osaka
- TOCOM
- KFE
- SGX
- Taiwan
- China
- India

