

OCCUPATIONAL ALERT



"Competition is a by-product of productive work, *not* its goal. A creative man is motivated by the desire to achieve, *not* by the desire to beat others." *Ayn Rand*

Innovation, change, and global competition continue to redefine employment in every sector of the economy. The Sierra Group, follows the employment trends and innovations in a number of sectors and compiles and distributes our OCCUPATIONAL ALERTS to help keep you informed of vocational changes so that you can leverage opportunities and control risk.

All New 'All Electronic' Futures Exchange

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In the ever-changing landscape of the Futures Industry, we have seen the Chicago Mercantile Exchange (now called the CME Group Inc.) acquire its rivals, including the CBOT and the NYMEX, to become the world's largest futures exchange. However, just when you think they have *wrapped up* their U.S. competition, a consortium of 12 big banking firms, several trading firms, a hedge fund (Citadel Capital) and a technology provider (eSpeed) have joined forces to launch an all electronic futures exchange to challenge the CME's near monopoly. The plans for the new exchange were initially announced in December 2007, with the official name being made public (3/11/08) at the recent Futures Industry Association's 33rd Annual International Conference in Boca Raton, FL.

The name of the new *all electronic futures exchange* is Electronic Liquidity Exchange (ELX). The big banks backing the exchange include: Merrill Lynch, JPMorgan, Citigroup, Barclays, Barclay Capital, Credit Suisse, the Royal Bank of Scotland, Bank of America, and Deutsche Bank. According to various industry professionals, the name and logo of the new exchange represents the new era in the futures market – one that will be driven by electronic connectivity and the increasing adoption of technology-driven strategies.

To-date there has been little official information from the new exchange, but industry professionals are calling it a lower-cost venue for electronic futures trading. Catherine Bartzos of JP Morgan Securities Inc. and a Board Member of the new exchange said "The ELX brand represents a fully electronic exchange that is committed to delivering deep liquidity, fast and reliable execution at a cost-effective price point for all participants." According to Cristina McEachern, Advance Trading

The bottom line is that the continuous move to electronic trading represents greater opportunity to be competitive due to lower transaction fees.

February 2008, US Treasury Futures are expected to be the first product launched by ELX in 2008, followed by plans to expand into currencies, wheat products and stock indexes.

Why is this important? As previously noted, whoever has the most order flow has the greatest market share and the greatest clout in the market. Thus we see the large banks making moves to ensure that the CME Group Inc. would not form a monopoly. Moreover, it again clearly signals that despite the current *hybrid model* at different exchanges, the Futures Market is steadily moving to all electronic trading.

What does it mean with respect to the Occupations in the Financial Industry? The bottom line is that the continuous move to electronic trading represents greater opportunity to be competitive due to lower transaction fees. This is a result of the elimination of back office support positions, and it puts further pressure on Independent Traders to try to compete with large trading groups.

References:

PRNewswire March 12, 2008 – ELX Launches Its ISV Program

Ivy Schmerken March 12, 2008, Wall Street and Technology – “New Futures Exchange Takes a Name: ELX Electronic Liquidity Exchange”

Cristina McEachern, [Advance Trading](#) February 2008 – “New Electronic Futures Exchange Could Take On Chicago Mercantile Exchange”