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Regulator gets it right on Chicago exchanges merger

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From Mr Alan Rohrbach.

Sir, Kudos to the US Department of Justice for acknowledging the global competition issues and low entry barriers in approving the Chicago Mercantile Exchange/Chicago Board of Trade merger without restriction.

It is refreshing to see a major government regulator get it right, and for the right reasons. The benefits of this combination far outweigh specious pricing concerns. The advantages to customers extend well beyond the consolidation of long-term and short-term interest rate products under one roof.

As a Chicagoan whose formative experience in the financial business was at the exchanges, I am admittedly a bit biased. Yet, the interest rate aspect is better stated as finally providing a full complex of standardised contracts across the full range of the yield curve at one exchange.

Along with some structured interest rate products, the availability of foreign exchange as well as a fairly comprehensive array of equity index contracts (which will finally include the CBOT DJIA contract) make this marriage one made in heaven for retail traders as well as exchange members.

To the degree that some institutions have competing cash market products, they also make extensive use of the exchanges.

As you have noted, financial and technological innovations leave relatively low barriers to the creation of new actors if existing exchanges abuse their position. The pace and size of global tie-ups of the last few years have also been breathtaking, with even the once staid New York Stock Exchange establishing affiliations (potential future full partners) around the world. The DoJ took the rightful view that all of those factors transcend any draconian provincial considerations.

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