

# 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.

## Consolidations within the Financial Industry

Occupational Alert March 2008:

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Last July's merger of the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT) resulted in the development of the CME Group Inc. (the world's largest financial exchange), and it was heralded as unprecedented. However it was not surprising following that deal, that the CME Group, Inc. announcement on 3/17/08 that it was acquiring the NYMEX (Futures/Commodities Industry). Nor was it surprising in January that the NYSE Euronext announced that it was acquiring the American Stock Exchange (Securities Industry), as there has been pressure on all exchanges to combine and cut costs to stay competitive.

While the CME Group, Inc. and NYMEX agreement must still be approved by regulators and shareholders of the two exchanges, the deal is expected to be completed by the fourth quarter of 2008. The integration is expected to be rather smooth, since the NYMEX had been using the CME's Globex trading platform to process its trades for the past 2 years. Indeed according to a 3/18/08 Businessday.Com article, electronic trading soared after NYMEX listed its contracts on Globex in 2006, with 76% of NYMEX's contracts traded by computer in February 2008 (as compared to 16% in February 2006).

According to Michael Henry, an exchange expert for consulting firm Accenture, "I think that everyone understands that the future direction of trading is *all-electronic* and the direction is really only one way." AP Business Writer, Tim Paradis, in his 1/28/08 article [CME Group in Talks to Acquire the NYMEX](#), noted that it was expected that the NYMEX would buy out 816 (approximately 75%) memberships on its exchange. NYMEX Chairman Richard Schaeffer has been quoted during a conference call, with analysts, as saying that the NYMEX will continue to operate and own its own downtown headquarters in lower Manhattan. However it should be noted that following that 3/18/08 call,

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analysts at Bank of America and Credit Swiss suggested in their notes to clients that NYMEX may fund the purchase of trading rights through a sale of their building (this would result in a move to a smaller downtown location).

CME Chairman, Terrence Duffy said that the CME and NYMEX exchanges will likely combine their clearinghouses. This combined with JP Morgan bail-out purchase of Bear Sterns, has made many people in the financial industry fear for their jobs.

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### Select References:

Tim Paradis, AP Business Writer - [CME Group in Talks to Acquire, 1/28/08](#)  
BusinessDay.com article [CME Group to buy NYMEX for \\$US8.9bn, 3/18/08](#)  
Includes comments from: NYMEX Chairman Richard Schaeffer,  
CME Chairman, Terrance Duffy, & CME Chief Executive, Craig Donohue