

Clearing Corp funds derivatives research

By Jeremy Grant

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The Institute for Financial Markets, an affiliate of the main US futures industry lobby group, on Monday said it would fund six academic studies on trading, clearing and over-the counter derivatives.

The move comes as legislation is being hammered out in Washington, DC that promises sweeping change to the way the futures and over-the-counter derivatives markets function.

The IFM said the studies covered areas “whose understanding and potential resolutions are of critical importance to the trading and clearing of listed derivatives worldwide”.

The research will be released in the third quarter of this year.

The IFM describes itself as an “industry-sponsored educational foundation” and “independent affiliate of the Futures Industry Association”, the Washington-based lobby group for banks, brokers and exchanges in the futures markets.

Funding for the research comes from a \$2m grant to the IFM given by The Clearing Corporation Charitable Foundation. The Clearing Corporation, based in Chicago, was acquired in March last year by **IntercontinentalExchange**, the operator of futures exchanges, OTC platforms and clearing houses.

Research would be done by academics from Yale, the University of Illinois, Singapore Management University, University of Delaware, HEC Paris, and Hong Kong Baptist University.

The IFM said the research would be used “to educate market users, policy makers, regulators, academics, and other interested parties”.

“Individual research studies will be subjected to a rigorous peer-review process and published in a special edition of the Review of Futures Markets,” the IFM said, referring to a quarterly journal published by Kent State University and the IFM.

The six studies are:

- “Clearinghouse, margin requirements and systemic risk” – to be researched by Jeffrey H. Harris, of University of Delaware and Christophe Perignon, HEC Paris;
- “Policy implications of position limits” – to be researched by Bernard Lee, Shih-Fen Cheng and Annie Koh of Singapore Management University;
- “Direct Market Access in exchange-traded and cleared derivatives” – to be researched by Ahmet K. Karagozoglu, of Hofstra University;

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- A “Survey and critical evaluation of studies and international practices on how futures clearinghouses can accommodate OTC cleared products and traditional futures” – to be done by Joseph Fung, of Hong Kong Baptist University Kowloon Tong;
- An “Assessment of pending legislation on clearinghouse risk” – to be researched by Eugene L. Kunda and Robert Hauser, of University of Illinois; and
- “Direct Market Access and high-frequency data” – to be researched by Frank J. Fabozzi, of Yale University

The IFM said the academics were picked by IFM and an advisory committee the Clearing Corporation Foundation Endowed Fund, whose members include: Michael Dawley, a managing director at Goldman Sachs; Ronald Filler, professor of law and director of the Center on Financial Services Law, at New York’s Law School; John Damgard, president of the Futures Industry Association; Peter Borish, chief executive of Computer Trading Corporation; and Walter Lukken, chief executive of New York Portfolio Clearing and former acting chairman and commissioner of the Commodity Futures Trading Commission.