

Nineteen U.S. Exchanges To Share Data on Dealings

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By SUZANNE MCGEE

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — Clearing organizations for 19 stock, stock options and futures exchanges in the U.S. plan to pool data on dealings by large brokerage firms in their markets, the kind of information-sharing regulators say might have averted the collapse of the venerable British bank, Barings PLC.

The agreement, which will be signed tomorrow in Washington, will allow each exchange to obtain information about a member firm's margin payments and collateral. It is hoped that with access to this kind of detail, exchanges will be able to spot situations where big dealers might be incurring large losses with enough time to correct, or at least contain, the problem.

"We all have a common goal, and that's to protect our members from the risks of another member defaulting and bringing the system crashing down," says Frederick Quinn, first vice president, operations at the Options Clearing Corp. in Chicago, and chairman of the Securities Clearing Group, a stock-exchange clearing organization. "The more information that gets shared, the better our risk assessment is going to be."

Futures exchanges have had a similar, but more limited, system in place since 1987. The new initiative, however, would bridge the gap between the stock exchanges and their counterparts in futures and options trading. The Unified Clearing Group, the entity created by the agreement, will be headed by one representative from each of the two groups. Participants, who spent three years negotiating the agreement, said the collapse of Barings in late February galvanized them into moving ahead quickly.

"In the midst of a crisis, it's essential to have ready access to information without having to call 14 different clearing organizations," says Kathryn Meyer, president

of the Chicago Mercantile Exchange's clearing division. She points out that it would have been helpful to both sides of the market to pool information in the wake of the 1990 collapse of Drexel Burnham Lambert, which had extensive positions in futures and options markets as well as stock markets.

"This data helps identify problems, and helps exchanges ask the right questions about big market positions and losses," Ms. Meyer adds. "It's a big enhancement of market surveillance."

So far, the pact calls only for the exchanges' clearing divisions to monitor and report margin payments made by member firms and to track the adequacy of collateral posted against those positions. But eventually, participants say, it could be expanded to provide for what's known as "cross-margining," which allows firms to use surplus funds in a margin account at one exchange as collateral to establish a position on a second exchange.

Mr. Quinn says the savings from such a system can be significant. The sole example of this kind of cross-margining to date is an agreement among the CME, the Chicago Board Options Exchange and other exchanges on which options are traded, which electronically combines firms' positions on all exchanges into one portfolio. While precise figures weren't readily available, Mr. Quinn estimates that during the first six months of 1995 alone, firms saved more than \$50 billion in margin payments.

But the futures industry hopes the Unified Clearing Group will be the start of something larger still. Shaken by the collapse of Barings following large losses by a rogue trader who camouflaged some of his activities by claiming losing positions in one market were hedges against profitable bets in another jurisdiction, they argue that the initiative needs to apply internationally. "The level of communication between U.S. exchanges was already high," says Michael Philipp, London-based managing director of Deutsche Bank Grenfell Investment Bank. "If this cut across inter-

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national boundaries it would be even more meaningful."

Mr. Philipp, who helped draft a Futures Industry Association report recommending measures to guard against another Barings-style disaster, says there's talk in Europe and Asia about more sharing of information on large positions taken on by a member of any large exchange.

Mary Schapiro, chairman of the Commodity Futures Trading Commission, says she welcomes the initiative as a way for exchanges to obtain information before a problem threatens the integrity of the market as a whole. "It's very much along the lines of the kind of thing we'd like to see developing internationally," she says.