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Contact:

Casey Sheets, TABB Group
+1 646-747-3207 / csheets@tabbgroup.com

Direct Clearing Trend in Futures Trading Continues to Reshape the Role of FCMs, Finds TABB Group Research

NEW YORK & LONDON, August 23, 2016 – Exchanges and clearing houses continue to broaden their boundaries as the futures commission merchant (FCM) community is looking to return to profitability. The CME Group (CME) is the latest to propose a direct clearing option for its end users as Direct Funding Participant (DFP) members, following the similar ISA Direct initiative launched by Eurex Group earlier this year. TABB's latest research, "[Clearing House Calculus II: Exchanges Expand the Boundaries of Self Clearing](#)," details how exchanges are recognizing the changing FCM landscape and are willing to look to new and innovative ways to serve their client base.

Report author [Tom Lehrkinder](#) explains futures clearing has reached an inflection point that has forced exchanges and clearing houses to take notice. The number of U.S. FCMs has fallen from 154 in 2008 to 70 in May 2016 and though FCM numbers have been declining, they remain an integral part of the trading and settlement process. Both the CME and Eurex have taken steps to ensure that the FCMs are still available to cover any contingent liability that these new membership categories may introduce.

"For the CME to even consider a new membership category speaks volumes to how the marketplace is changing and reacting to the regulatory influences of today," Lehrkinder said. "Although the now intertwined relationship between exchanges, FCMs and end users has made a dramatic shift in clearing structure, exchanges and clearinghouses still need the security blanket of the FCM to provide stability and financial backing."

According to the research there are a number of benefits to this new market structure, most notably that direct access may lead to reduced processing and settlement risk in futures markets as clearing houses assume a direct role in clearing futures transactions. Taking into consideration the challenging environment facing the [FCM industry](#), TABB concludes it may only be a matter of time before DFPs are on level footing with sell-side market participants as the margining and settlement side of the business further evolves.

The report is now available for download by TABB derivative clients, as well as pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the report, contact info@tabbgroup.com.

About TABB Group

TABB Group is the international research and consulting firm focused exclusively on capital markets, founded on the interview-based research methodology developed by Larry Tabb. Since 2003, TABB Group has been helping business leaders gain a truer understanding of financial markets issues to develop actionable roadmaps and approaches to future growth. By accurately assessing their customer base, competition, and key market opportunities, TABB Group works with senior industry leaders to make critical decisions about their business. For more information, visit www.tabbgroup.com.

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