

Craig Donohue Remarks
BMV Forum 2011
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8:00 a.m.

[Introduced by Luis Robles, vice-chairman of BBVA Bancomer S A]

Thank you, Luis, for that kind introduction.

- I am pleased to be here today with officials from Bolsa Mexicana de Valores for this important forum.
- At CME Group we have for many years viewed Mexico as a market that is laying the right foundation for long-term growth, which requires the multi-faceted support of the government, key regulators such as CNBV, the Central Bank (“Banco de Mexico”) exchanges, and market participants.
- It is great to see all of these entities represented here today, as it shows commitment from each of you to work together and take a thoughtful approach in making key decisions for the financial services and exchange industry in the months and years to come. We are honored to be part of that dialog.
- A little over a year and a half ago, CME Group and BMV Group announced a strategic partnership that includes an order routing agreement for derivatives products.
- As a brief introduction for those of you who may be less familiar with our company, we are by most measures the world’s largest and most diverse financial marketplace. We offer many of the world’s most liquid and actively traded products on interest rates, equities, foreign exchange, agricultural commodities and energy and metals products.
- This historic partnership furthers our global strategy to offer customers increased access to our products while, at the same time, enabling BMV Group to use the CME Globex trading network to increase distribution of their products globally.
- We are pleased to work with BMV Group to facilitate global hedging and risk management activity in our respective markets.
- Since we have linked the MexDer and CME Globex electronic trading platforms, customers are able to route orders electronically into MexDer and CME Group exchanges.
- This provides MexDer customers access to CME Group’s benchmark derivatives contracts – including interest rates, foreign currencies, equity indexes, energy, metals and agricultural commodities. It will also give CME Group customers access to BMV’s interest rate, foreign exchange and equity index derivatives.

Indeed, derivatives are an essential ingredient in the global economy.

- The shared success of BMV Group and CME Group highlights the critical needs that market participants have to hedge price risks, lock in profits, lower the cost of their goods and services to downstream consumers and reinvest their profits to expand their businesses.

The recent financial crisis highlighted the need for change in many areas of financial services.

- Not surprisingly, the derivatives markets are central to the tremendous paradigm shifts that are now taking place.
- The U.S. has led the charge in reform, with the Dodd-Frank Act passed last year resulting in numerous changes to our industry.
- We fully support the underlying goals of the Dodd-Frank act, including: managing systemic risk; enhancing customer protection and security; and promoting transparency in derivatives markets. These are important and necessary measures.
- However, our regulator in the U.S., the CFTC, has overreached in proposed rulemaking related to the Dodd-Frank Act. On a number of topics they have proposed rules that would negatively impact markets and market participants, which is unfortunate.
- In particular, under the guise of limiting speculation, the CFTC is proposing “position limits” on the amount of derivative contracts, including futures and swaps, that a trader can hold for a large number of commodities, energy, and metals contracts.
- This is not a sensible approach and is actually contrary to both academic studies and the vocal opposition of market participants.
- While we understand the need for promoting the tenets of Dodd-Frank, on this and other fronts the CFTC has overreached and is proposing rulemaking to the detriment of markets and market participants.

As we look further afield, at other G20 countries, we see cause for concern, but also reasons to be optimistic.

- As financial regulatory reform takes shape around the world, it is important for regulatory bodies to appreciate the very sound and secure nature of derivatives markets such as CME Group and BMV Group.
- These dramatic changes in the global landscape are presenting unprecedented challenges for those of us who deal with commodity, energy and natural resource markets.
- These challenges include increased prices for food and fuel, increased volatility, unpredictability of supply and demand, and tensions between free market economics and government intervention and regulation.

- Those who blame the futures markets for increased food and energy costs, fail to recognize the critical economic function provided by futures markets. They facilitate the allocation of raw materials and capital to their most efficient applications. They do so by providing a vital source of pricing information for market participants who directly or indirectly depend upon the commodity and capital markets.
- By aggregating these signals so that groups such as farmers and energy companies can better plan for the future, futures markets help make physical markets, and our economy, more efficient.
- Our customers are able to manage risk and decrease uncertainty through the most liquid, efficient markets in the world. Our markets have supported transparency in price discovery, and building healthy liquidity, for more than 150 years,
- Thank you.