

Title: Terry Duffy and CME Group

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https://www.wsj.com/articles/glitch-exploited-by-high-speed-traders-is-back-at-cme-1518431401 ([https://preview.redd.it/ujejoxbswji71.png?width=1242&format=png&auto=webp&s=390559d2583314f19463833b0e42051b05c2088a])

I first wrote a post about the connection between [CME Group and Citadel](https://www.reddit.com/r/Autisticats/comments/ojrh8x/chicago_mercantile_exchange_cme_group_and_citadel/) ([backup](https://archive.ph/1ZaJy)) (and u/crind followed up with this amazing [connection to GameStop](https://www.reddit.com/r/DDintoGME/comments/p37dim/are_futures_or_swaps_the_secret_sauce_to_price/) ([backup](https://archive.ph/C8H6c))). This post kinda serves as a follow up, looking specifically at Terry Duffy and CME Group. A huge shout out to all the apes, cats, rabbits – pretty much everyone else in the jungle but the bears. This post would not be possible without you!

Here are some videos to help understand him better - [Video 1](https://www.foxbusiness.com/markets/investors-hedging-exposure-to-markets-despite-good-economy-cmes-terry-duffy) [Video 2](https://realmoney.thestreet.com/video/13134143/)

Here is his [2013 Bio](https://irishamerica.com/2013/12/terrence-a-duffy-7/) ([backup](https://archive.ph/2Snyp))

Terry himself has an interesting moral compass:

>Everybody who circumvented our laws to go hide money, to [not pay the government, we are going to reward them](https://www.businessinsider.com/cme-ceo-says-repatriation-bill-could-bring-up-to-15-trillion-to-us-2017-1) ([backup](https://archive.ph/dBIJH)) by saying you can come back at a rate that's reasonable. That's been the argument. I get it. But at the same time, when we have a crumbling nation, I think that you have to make decisions and get off of your high horse and say, "You know what, it is what it is sometimes."

And in 1 line (or two), how can we sum up CME Group?

>[CME Group has been a prominent exchange platform](https://www.thecoinrepublic.com/2020/02/05/terry-duffy-ceo-of-cme-exchange-calls-bitcoin-as-safe-haven-investment/) ([backup](https://archive.ph/PKZhn)) in global markets company, and it owns derivatives, futures, and options exchange in New York and Chicago. It also owns its subsidiary Chicago Mercantile Exchange.

How does CME Group interact with the market?

>[We don't trade the market, we just manage the risk](https://www.thestreet.com/investing/stocks/cme-group-ceo-discusses-bitcoin-futures-launch-14417228) ([backup](https://archive.ph/zvBYg)). I think that's what's important about bitcoin trading on CME vs. cash platforms is that we don't participate in trading of the product, we manage the risk for the participant.

I wonder how they manage this risk? A look into some of their lawsuits and allegations could give some

insight:

>The most stunning allegation in the lawsuit is that an estimated [50 percent of all trading on the Chicago Mercantile Exchange is derived from illegal wash trades](<https://news.mikecallicrate.com/lawsuit-stunner-half-of-futures-trades-in-chicago-are-illegal-wash-trades/>) ([backup](<https://archive.ph/R82m7>)).

So, you'd think they'd fix that...right??

>Five years ago, the world's largest exchange operator vowed to fix a flaw in its systems that allowed high-speed traders to infer the direction of the futures market a fraction of a second before everyone else. Now, [the defect is back at CME Group Inc.](<https://www.wsj.com/articles/glitch-exploited-by-high-speed-traders-is-back-at-cme-1518431401>) ([backup](<https://archive.ph/D2dZc>)), traders say. And some allege it is yielding rich profits for ultrafast firms at the expense of ordinary investors. The problem arises from the two ways that CME distributes information about a trade. One is the private confirmation messages that the exchange sends to the buyer and seller in each transaction. The other is the public data feed that reports trades to everyone active at CME, a Chicago exchange where an average of 19 million contracts changed hands daily in January.

[<https://dealbook.nytimes.com/2012/01/25/futures-industry-sees-chance-to-shape-oversight/?mtrref=undefined&assetType=PAYWALL>](<https://preview.redd.it/z7k62588yji71.png?width=190&format=png&auto=webp&s=70673062e096dd18c900b417d0400d001954b20e>)

Alright, what else legally have they been involved in? Turns out they were the primary exchange for a fund that lost \$1.2B in customer funds:

>Jon Corzine denied any knowledge of what happened to the estimated [\$1.2 billion in customer funds that went missing in the days before MF Global went bankrupt](<https://talkingpointsmemo.com/muckraker/corzine-testifies-on-mf-global-collapse-i-simply-do-not-know-where-the-money-is>) ([backup](<https://archive.ph/CDA0l>)), telling a congressional panel on Thursday he “was stunned” when he heard about the funds, but “I simply do not know where the money is.

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>Corzine repeatedly blamed the missing funds on the “chaos of the last few days” before the firm declared bankruptcy. “There were an extraordinary number of transactions during this period,” he said. “I do not know, for example, whether there were operational errors at MF Global or elsewhere, or whether **banks and counterparties** have held onto funds that should rightfully have been returned to MF Global.”

Mr. Duffy pointed blame to the funds CEO (who again, “was stunned” when he heard about the disappearing funds):

>Terrence A. Duffy, executive chairman of the CME Group, told lawmakers that MF Global had used \$175 million in customer funds to lend from one arm of the firm to another — an assertion that, on its face, may not be illegal — [and that Mr. Corzine had known about it](<https://dealbook.nytimes.com/2011/12/13/confusion-follows-claim-that-corzine-knew-of-funds-transfer/?mtrref=undefined&assetType=PAYWALL>) ([backup](<https://archive.ph/50mAu>)).

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>“Mr. Corzine was aware of the loans being made,” Mr. Duffy told the Senate Agriculture Committee, adding that MF Global had submitted documents to the CME, the **major exchange where MF Global did business, that kept “regulators in the dark.”**

So what is suspected to have happened here?

>Some investigators suspect that MF Global [tapped money from futures customers](<https://dealbook.nytimes.com/2012/01/25/futures-industry-sees-chance-to-shape-oversight/?mtrref=undefined&assetType=PAYWALL>) ([backup](<https://archive.ph/Q6nmq>)) to cover trading losses and demands from securities customers who were closing accounts...the figures are typically submitted only once a month to the CME

Group, the **for-profit exchange that serves as the self-regulator.** There are some exceptions: CME required MF Global to submit daily reports for the last three years.

Okay, what else? He calls out JP Morgan nonchalantly in 2019:

>Towards the end of 2018, Jamie Dimon began to backtrack on his earlier criticisms. At one point, he said that he would stop talking about the digital currency market altogether. However, he chose to highlight the universally-accepted potential of blockchain technology and said that it could be of use to the financial services company. He concluded by stating that, while cryptocurrencies have potential, they are not necessarily perfect in their current state. It is perhaps for this reason that [JP Morgan has come up with its own JPM

Coin](<https://beincrypto.com/cme-group-ceo-bitcoin-will-need-government-backing-to-truly-succeed/>) ([backup](<https://archive.ph/Fw28s>)).

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>Duffy pointed out this shift in attitude, explaining that it is likely due to overwhelming acceptance of cryptocurrency in the institutional realm. JP Morgan's customers would likely go elsewhere if the company maintained its long-standing pessimistic stance on Bitcoin.

And he once tried to merge forces with his rival:

>German exchange operator [Deutsche Börse AG and U.S. rival CME Group Inc](<https://dealbreaker.com/2013/02/cme-deutsche-borse-start-end-fling>) ([backup](<https://archive.ph/1kDbG>)). met twice in recent months to discuss views on potentially merging the operations, a person familiar with the matter said Monday.

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>The talks took place at the request of CME, and Deutsche Börse told CME it wasn't interested in pursuing a merger, the person said.

[<https://news.mikecallicrate.com/lawsuit-stunner-half-of-futures-trades-in-chicago-are-illegal-wash-trades> V](<https://preview.redd.it/xmy72e5fyji71.png?width=260&format=png&auto=webp&s=ed4c82bde8c8201b020102ebc952c7ac044b1c13>)

TL;DR – Interesting guy. Interesting financial company.

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