

EDITORIAL

Innovation nations

Leo Melamed seems to be on something of a comeback tour at the moment. Not that he went away as such, it's just that at the moment he appears to be everywhere. Remember two years ago, when it became clear that Scott Gordon and Jim McNulty were going to be ushered from the CME board room, and everyone denied that Leo was the man with the plan? Well whatever happened then, he seems now to have become the most visible and vocal member of the revamped team.

Last week, at one of his many public appearances, he lambasted Eurex and Liffe, claiming they lacked creativity and that their attempts to enter the US market amounted to "nothing more than 'noise'". Remarks mainly for the benefit of the home crowd, no doubt, but he stretched the point a little far when he said European exchanges had "generally failed to create original product ideas, copying instead American innovations".

Melamed's achievements are well documented in many places (including his own speeches), and I'm sure leaders of European exchanges would not hesitate to acknowledge their debt to his pioneering work in financial futures. But that's not the end of

the story, and the last 30 years has seen a fair amount of innovation on both sides of the Atlantic.

Take technology for example. European innovations in this field have proved so popular that most of Chicago now runs on them: CME's Globex platform is based on the French NSC system; CBoT used to use Eurex's trading platform and is now so happy with Liffe Connect that it is busy selling it on to other US exchanges. And on the product side, which continent managed to get single stock futures up and running first?

Melamed assured his audience that the Merc strategy did not include "wresting a successful product from an existing competitor," later adding, "although one cannot guarantee that CME will never again make such an attempt, we generally recognised the futility of such a strategy". So, no CME Euribor announcement on the horizon then.

But rather than being futile, direct competition between exchanges is the latest in a long line of innovations in the derivatives industry and, incidentally, another from Europe. The formula may not yet have been perfected, but that goal is getting closer. That's what innovation's all about.