

WFE's Mission

An Interview with William J. Brodsky,
Chairman and Chief Executive Officer, Chicago Board Options Exchange, and Chairman, World Federation of Exchanges

EDITORS' NOTE William Brodsky previously served as Vice Chairman of the World Federation of Exchanges (WFE) from 2007 to 2008. Brodsky has held his current post with the Chicago Board Options Exchange (CBOE) since 1997. Prior to joining CBOE, Brodsky served for 15 years at the Chicago Mercantile Exchange (CME). He joined CME in 1982 as Executive Vice President and Chief Operating Officer and, in 1985, was named President and



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Chief Executive Officer, a post he held until joining CBOE in February 1997. Brodsky began his career as an attorney in the securities industry with the firm of Model, Roland and Company in 1968. In 1974, he joined the American Stock Exchange (AMEX) where he became head of options trading in 1976 and served as Executive Vice President for operations between 1979 and 1982. He also served for seven years as the AMEX representative on the board of The Options Clearing Corporation. Brodsky serves as a director of Integrys Energy Group, Inc. He is a member of the Federal Reserve Bank of New York's International Advisory Committee and Council on Foreign Relations in New York City. Brodsky holds an A.B. degree and a J.D. degree from Syracuse University and is a member of the Bar in Illinois and New York.

COMPANY AND ORGANIZATION BRIEFS

Chicago Board Options Exchange (www.cboe.com; CBOE), the largest U.S. options exchange and creator of listed options, continues to set the bar for options trading through product innovation, trading technology, and investor education. CBOE offers equity, index, and ETF options, including proprietary products, such as S&P 500 options (SPX) and options on the CBOE Volatility Index (VIX). Other products engineered by CBOE include equity options, security index options, LEAPS, FLEX options, and benchmark products, such as the CBOE BuyWrite Index (BXM).

Based in Paris, France, the World Federation of Exchanges (www.world-exchanges.org; WFE) is the trade association of more than 52 publicly regulated stock, futures, and options exchanges. WFE conducts research on issues pertinent to its members and holds workshops and conferences

around the world. WFE exchange members are responsible for the functioning of key components in the financial world and are home to some 46,000 listed companies.

What is the mission of the World Federation of Exchanges and what are some of the primary objectives you have seen for the organization during your chairmanship?

The mission of WFE is to embrace regulated exchange markets and act as an advocate and spokes-

person on behalf of these regulated markets. The organization has actively engaged in the policy debate regarding the role of these markets vis-à-vis what has gone on in the financial world over the past two years. This heated debate has created a unique urgency, but also an opportunity for this organization. Instead of just being an organization that promoted high standards among their members, what we're doing now is saying to the world: these are the standards, they are good standards, and if you study what worked and what didn't work over the past two years, clearly what worked were the exchanges, without exception.

I was elected Chairman just over a year ago, and it was obvious that we had a very vital role to play with policymakers both governmental – meaning legislative, executive – and regulatory, not only in the U.S. but throughout the world. One of my biggest objectives is to try to create an environment where there is regulatory coordination. Customers are global, so it would not make sense to have certain rules in the U.S. and have something completely different in London. By speaking to these issues with decision-makers, the WFE aims to help avoid what we call regulatory arbitrage and, certainly, confusion.

Are the programs of WFE directed only at top-level executives and firms, or do you reach a broader audience?

We reach both. We have a diverse board of 18 that is equally divided among the time zones. Individuals at the very highest levels of member exchanges – either the Chairman, CEO, or Vice Chairman – serve on the WFE Board. But we also do a lot of things that benefit various levels and areas of member exchanges. For example, we have a

communications task force comprised of communications specialists from 16 exchanges around the world.

We had a meeting of the regulators of the exchanges in 2009 – there were 200 people in attendance. We also have an IT summit each year, and we organized an event for exchange CFOs. Over the course of a year, we orchestrate three or four separate programs for people at different levels. We invite our base membership list of the 52 largest exchanges in the world, but we also engage smaller affiliates and correspondents. The WFE affiliates are from areas like Bermuda and Africa, where the exchanges have not yet reached the level where they would qualify to become full members, but we seek to include them anyway so they can participate in our meetings.

We also have associate members that include the largest clearinghouses. We feel that clearing has come to the forefront as a result of the financial crisis, particularly with what happened with over-the-counter (OTC) derivatives and with AIG and Lehman. We invited the the largest clearing-houses in the world to join the WFE as associate members. We are also open to applications from others that might be interested.

Where is the biggest challenge in promoting your mission?

The industry does not necessarily seem to all be on the same page. For example, the exchanges' viewpoint differs from that of the OTC derivative dealers. Also, it is difficult for the public sector to sort what are frequently conflicting messages. There is clearly a political dimension to the discussion, and part of that, especially for the average American, relates to Wall Street. However, there are a lot of different aspects of Wall Street. The exchange world is tightly regulated and transparent, while the OTC market is the opposite. But from the public's perspective, it all melds into Wall Street.

WFE can be very helpful in working with policymakers, particularly those in the U.S. Treasury and the European Commission. My number one goal for WFE in the aftermath of this financial crisis is to establish better coordination among the world's markets so that evolving regulations are more uniform and consistently applied throughout the global marketplace. ●