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Derivatives Are Focus of Antitrust Investigators

By **[ERIC DASH](#)**

The Justice Department is investigating the role of several major companies in the credit markets, in another indication that the government is intensifying its scrutiny of derivatives,

Markit Group Holdings, a data warehouse controlled by several big banks, said Tuesday that it had been notified by antitrust officials at the Justice Department of an inquiry into the "credit derivatives markets and related markets" and that it would "provide any information requested."

The department is conducting a similar inquiry at several banks to determine if they had unfair access to pricing information, according to a person briefed on the situation.

The investigation is a sign of the increased attention the derivatives business is getting in Washington.

Derivatives are sophisticated and profitable instruments that were intended to limit risk but instead were at the center of the financial crisis last year. The derivatives market now represents transactions with a face value of \$600 trillion.

They were blamed for the near collapse of the [American International Group](#), the insurance company that was a crucial trading partner with Wall Street firms in one widely used form of derivatives.

Over the last several months, lawmakers and regulators have stepped up their efforts to get a handle on these complex instruments. Some watchdog groups say the regulatory proposals do not go far enough.

At the same time, the financial industry is waging an aggressive campaign against more stringent regulation of derivatives. The Justice Department inquiry, however, may reflect an effort to rein in the products without legislation.

It is unclear exactly what the investigators are looking for, but it appears they are examining whether Markit's bank shareholders received an advantage as owners and providers of trading data for one type of derivatives known as [credit-default swaps](#). Some market participants also believe that federal officials may also be requesting information from Markit to gather evidence of possible dealer involvement in manipulating prices.

Markit is the dominant provider of pricing information in the derivatives industry, providing the data to more than 300 financial firms that use it to determine the prices of similar contracts on their own books.

The data provider is majority-owned by several Wall Street firms, including [JPMorgan Chase](#), [Bank of America](#) and the [Royal Bank of Scotland](#). Representatives of JPMorgan and Bank of America declined to comment.

In a statement released Tuesday, Markit said that it was working "to enhance transparency and efficiency in the credit derivatives market." The investigation may also fit into the changing political environment in Washington. The Obama administration has made bolstering oversight of derivatives a central part of its plan to reform the financial industry and rein in excessive risk-taking, and has called for requiring certain kinds of credit-default swaps to be traded through a central clearinghouse and possibly one or more exchanges.

Wall Street banks are extremely worried about the impact of additional government scrutiny, and have proposed their own set of voluntary rules.

Even so, most Wall Street executives expect that regulators will more aggressively police the market in the future.

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