

## **Appendix 2: Financial Innovations and the Rise of Derivative Markets in the US, 1973–2009**

- 1970** *Mortgage-backed securities introduced*
- 1972** *Chicago Currency Futures Market opens*
- 1973** *Chicago Board Options Exchange; trading in equity futures begins*
- 1975** *Trading in Treasury Bill and mortgage-backed bonds futures*
- 1977** *Trading in Treasury bond futures*
- 1979** *Over-the-counter and unregulated trading, particularly in currency futures, becomes commonplace. The 'shadow banking system' emerges*
- 1980** *Currency swaps*
- 1981** *Portfolio insurance introduced; interest rate swaps; futures markets in Eurodollars, in Certificates of Deposit and in Treasury instruments*
- 1983** *Options markets on currency, equity values and Treasury instruments; collateralised mortgage obligation introduced*
- 1985** *Deepening and widening of options and futures markets; computerised trading and modelling of markets begins in earnest; statistical arbitrage strategies introduced*
- 1986** *Big Bang unification of global stock, options and currency trading markets*
- 1987–8** *Collateralised Debt Obligations (CDOs) introduced along with Collateralised Bond Obligations (CBOs) and Collateralised Mortgage Obligations (CMOs)*
- 1989** *Futures on interest rate swaps*
- 1990** *Credit default swaps introduced along with equity index swaps*
- 1991** *'Off balance sheet' vehicles known as special purpose entities or special investment vehicles sanctioned*
- 1992–2009** *Rapid evolution in volume of trading across all of these instruments. Volume of trading, insignificant in 1990, rose to more than \$600 trillion annually by 2008*