

The urge to merge

Few of the past 20 years have gone by without at least one major bank merger. The chart below shows the ancestry of five of some of today's biggest derivatives players – Citi, Credit Suisse, Deutsche Bank, JP Morgan and UBS. Many of

the names that heralded the start of the derivatives business in the 1980s have now disappeared into these larger groups. Salomon Brothers, which dominated the fixed-income market in the 1980s and pioneered innovations such as mortgage-backed securities, has been subsumed into Citi. Bankers Trust, the most innovative interest rate derivatives house of the 1980s, was purchased by Deutsche Bank in 1999.

The size of the mergers has grown as well. In 2000, Credit Suisse acquired US investment bank Donaldson, Lufkin & Jenrette for \$13 billion – a purchase that was dwarfed by the massive \$30.9 billion merger of JP Morgan and Chase Manhattan. And earlier this year, Barclays announced a deal that could be a new record – its offer to pay £45 billion for the Dutch bank ABN Amro.

