



But why base Intex in Bermuda?

"When we began organizing the exchange several years ago," Mr. Grummer explained, "there was a different climate in Washington. Then, the Commodity Futures Trading Commission indicated that it would take many years before they could rule on so innovative a trading system. Bermuda offered us first-rate communications and access to the London commodity markets. We do all our clearing through London's International Commodity Clearing House."

Asked to comment on these assertions, David T. Johnston, senior vice president and a director of E.F. Hutton & Company, voiced a view held by many brokers: "Liquidity will determine whether Intex sinks or swims. Roughly half of an exchange's floor population consists of brokers who stand ready to take positions for their own account, be it for a few minutes or longer. They create the liquidity and, most important today, these brokers are making it possible for the markets to handle the mounting futures business from commercial hedgers. If Intex can develop this market-making liquidity, it will prosper."

John J. Conheeneey, chairman of Merrill Lynch Futures and a leading advocate of reforming the current exchange system of trading, said: "While I am a strong advocate of reforming the present system of trading futures, I don't think the 'black box' is the answer to our problem with pit congestion. At best, it is a noble experiment that may teach us a lot. The reason is that the Intex system lacks the vital human element that makes a market work."

Mr. Conheeneey added that "pit psychology," eye contact and the chemistry between traders, was often as important in determining prices as the market's technical factors and fundamentals of supply and demand. "How will displaying all bids and offers on a screen affect the behavior of traders and prices?" he asked rhetorically. "We will have to wait and see."

The wait may be long because Intex now only trades gold futures and it has not decided whether its next electronic market will be in Treasury bonds or ocean freight rates futures.

At the Commodity Exchange in New York, the leading market in gold futures, one official, who requested anonymity, said: "Intex's concept and execution system is very good, but thus far they are trading about 300 gold futures a day, while Comex handles about 30,000 contracts. Perhaps it would have been wiser for them to have chosen an entirely new product, rather than try to compete with a well established market. We wish them well nevertheless."