CRAIN'S CHICAGO BUSINESS

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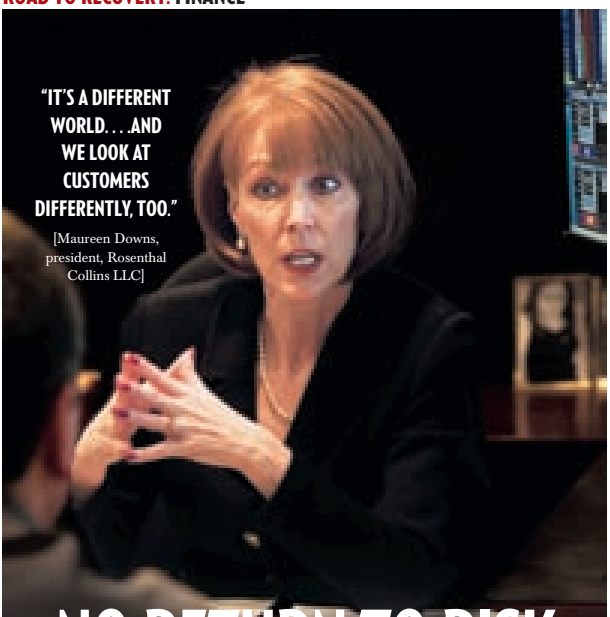

ERIK UNGER

NO RETURN TO RISK

Chicago financial firms that fattened up on easy credit face a leaner future as markets turn cautious

BY ANN SAPHIR

Maureen Downs, president of Chicago futures broker Rosenthal Collins LLC, is hiring more risk-management staffers, installing software to flag unusual trades, fielding more questions from customers on the firm's creditworthiness and asking more about theirs.

"It's a different world," she says. "Customers never used to ask those sorts of questions. And we look at customers differently, too."

Chicago's financial firms flourished in recent years at the epicenter of an explosion in credit and risk-taking that fueled the nation's economic boom. Local buyout shops and hedge funds borrowed heavily to boost returns, and Chicago's futures exchanges feasted on trading in financial derivatives designed to hedge the risk of all that debt and more.

But the collapse of credit markets and an accompanying aversion to risk is shredding the city's financial sector. Exchange volumes are tumbling, hedge funds are booking losses and private-equity returns are shriveling.

Even when the economy recovers,

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Big boys take small banks' TARP bucks

B of A and others demand repayment of interbank loans

BY STEVE DANIELS

Big banks that lend to smaller ones are forcing their small-fry borrowers to fork over federal bailout funds.

At least two Illinois banks that got equity injections courtesy of the federal financial bailout recently had to use that money to pay off their own lenders.

The parent of Citizens First National Bank in Downstate Princeton handed over almost two-thirds of its $25 million in bailout money earlier this year to Bank of America Corp. because B of A wanted a loan repaid in full. Melrose Park-based Midwest Banc Holdings Inc. recently agreed to pay $15 million to lender M&I Bank of Wisconsin after failing to comply with some terms of its loan agreement.

When the Treasury Department began the bailout last fall, the aim was to pump more capital into healthy banks to enable them to lend more. But by using federal funds to repay the big banks—which are themselves participants in the bailout—the smaller recipi-

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Ford plant gets a lift

Torrence Avenue factory lands redesigned Explorer, bringing back 300-plus jobs

BY JOHN PLETZ

Ford's Chicago assembly plant is slated to produce a new version of the Explorer sport-utility vehicle next year, a big boost for a factory hit hard last fall by cutbacks at the struggling automaker.

Ford Motor Co. officials agreed to produce the new Explorer in Chicago as part of a recent deal with the United Auto Workers to reduce pay and benefits, union leaders say. Sources close to Ford suppliers also say the company has chosen Chicago, although the economy could derail the plans. Ford confirms that the Torrence Avenue plant will "receive a new product" but won't identify it.

"We've been told locally it's going forward here in Chicago," says Matt

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ROAD TO RECOVERY: CBT looks at how Chicago's exchanges and brokerages are adjusting to a new financial world.
Start each day five minutes smarter with our online newscast, hosted by Lisa Leiter.

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