



## WHAT ARE THE VALUES OF ACI – THE FINANCIAL MARKETS ASSOCIATION?

Dear colleagues and friends,

Two years of my presidential term are over and we have achieved much. As asked for and promised in May 2007 in Montreal, where I was elected, we have completed the new structure of ACI, the regions are established, the head office in Paris is well supported and we have started marketing our Association.

At our next Council meeting in November in Paris, ACI's Executive Board will establish with Council, the next steps and the future structure and appearance of our Association. This will involve working groups, allotting responsibilities, press and media exposure and participation at international conferences, but of course, this requires distribution of labour – it cannot be achieved by just a few of us.

I think it is important to remind ourselves of the values of ACI – The Financial Markets Association – education, professionalism and the knowledge base of our members.

Over the years, ACI's Model Code has helped to establish rules for our industry, mainly in the OTC markets, but also about how people act in the entire market. Considering the current market environment, we can be proud of having such guidelines under the umbrella of ACI.

I expect that The Model Code will achieve much higher recognition as a result of our



*IT IS IMPORTANT TO REMIND OURSELVES OF THE VALUES OF ACI - EDUCATION, PROFESSIONALISM AND THE KNOWLEDGE BASE OF OUR MEMBERS*

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marketing efforts – indeed in Cape Town we started the redistribution of hard copies of the code to delegates and members.

The timing is good for us to reinvigorate our efforts to remind local and national authorities, and banks, of our advice and code of ethics and behaviour. This is now part of our Level One certification programme and as such is vitally important, especially to our younger generation of market participants. The fact is, we have what regulators are asking for – a global code which is available in English (the valid version) as well as Chinese, German and Russian.

Our certification programme achieved a new record in 2008 with nearly 1,400 examinations taken worldwide. The co-operation with the FSFM (Frankfurt School for Finance and Management) increases the value of our programme and delivers an “academic touch”.

We are now going to allow regional nuances to be incorporated into our certification programme, especially in Asia, and we will further develop the programme to allow for new and emerging nuances and demands.

Again, the timing is good for what we are offering but we need the support of each and every one of you in marketing to your local community and regulators. Are you aware of our programme? ACI is not teaching, it is certifying! Remind your local community and regulators of the ACI Dealing Certificate and Operations Certificate, which make up Level One – as well as the ACI Diploma, which makes up Level Two.

We are co-operating with trainers and our Board of Education is always seeking to enhance the quality of our education programme, which is available in both English and German.

Our third core value is one of the origins of our association – our members’ knowledge and skills – and the ability to tap into this valuable resource through networking. Networking is much more important than it is often made out to be; it can increase the value of each and every one of us personally, as well increase the value of our companies.

Electronic trading has broken down many personal contacts – a development I consider to be absolutely wrong because it is being proven time and again that personal contacts are as important as ever. We at ACI have these contacts but we still need to work harder to ensure we can increase our members’ access to each other and to the wider financial markets community. We are rightly proud of our international congresses, they are great opportunities to make new contacts and renew old ones but we can and must do more to support the growth in knowledge and experience on our industry.

Aside from our core values, ACI – The Financial Markets Association offers so much more of course. Have you checked out our Web page on [www.aciforex.org](http://www.aciforex.org)?

The US comprehensive plan for financial reform is a process that will affect all of us in some way and you can download it in its entirety from our website. This is the latest in a long list of important discussion and policy documents that you can access through our website. We also have a global weekly planner, full holiday schedules, a world clock and several other small but important information sources. You can also download and read the latest issue of *ACI Briefing* and get the latest from the associations and the Association itself.

There is much for us to be proud of in our Association – Euribor ACI for example which can provide the inspiration for other projects around the world and is a great ambassador for what ACI can offer the industry. We also have the ACI Foundation, which provides a great opportunity for ACI to show its social responsibility on moral and ethical issues in both developed and emerging markets.

Finally, the huge number of nations that apply to become affiliated to ACI each year demonstrates the value these countries see in what we provide. ACI Nigeria became a member in March at the South African Council meeting and already it is supporting the ACI Dealing Certificate – isn’t that great?

There are many more values provided by our Association and it is the job of all of us to ensure that the regulators and authorities in our respective countries and regions are aware of them. My colleagues on the Executive Board and I are establishing the next set of major goals for our organisation and we want your input and ideas. Please either give your ideas and opinion to your National President or Executive Committee, or alternatively send them to us at [managingdirector@aciforex.org](mailto:managingdirector@aciforex.org).

I wish all of our members a very happy summer in the Northern Hemisphere and winter in the Southern Hemisphere.

**Manfred Wiebogen – President ACI The Financial Markets Association**

*THE ACI FORUM SEEKS TO STIMULATE DEBATE ABOUT THE KEY ISSUES FACING OUR INDUSTRY. ONE OF THE BIGGEST THEMES OF RECENT MONTHS HAS BEEN THAT OF "OTC VERSUS THE EXCHANGE". OVER THE NEXT TWO ISSUES, ACI WILL SEEK INPUT, OPINIONS AND VIEWS FROM INDUSTRY PARTICIPANTS IN THIS DEBATE AND TO START THINGS OFF IS PROVIDING AN OVERSIGHT OF THE KEY ARGUMENTS IN THE DEBATE.*

## ***NEW OVERSIGHT PROPOSALS RESURRECT OTC VS EXCHANGE DEBATE***

The Obama Administration's plan for greater oversight of over-the-counter derivatives has attracted both praise and criticism, and has brought the perennial debate of the 'OTC vs exchange traded markets' under the spotlight.

US Treasury Secretary Timothy Geithner, together with the heads of the Commodity Futures Trading Commission and the Securities and Exchange Commission, first unveiled the proposals to reform the opaque market on May 13. Last month they were reiterated in the Treasury's white paper, Financial regulatory reform: A new foundation, which outlines an ambitious overhaul of almost every element of the US financial regulatory framework to stem the financial crisis and avoid another.

The Treasury proposes that the Commodity Exchange Act (CEA) and securities laws are amended so that all "standardised" OTC derivatives transactions are cleared by a central counterparty (CCP) or notified to a regulated trade repository so regulators are aware of the activity. All trades in the market would also face increased capital requirements.

A central counterparty, or clearinghouse, stands between two parties to a trade, ensuring payment is made even if one party defaults. Clearing has shot to prominence since the collapse of Lehman Brothers. The bank's default raised concerns about the creditworthiness of financial institutions, sparking a rush by authorities to put in place mechanisms to safeguard the financial system.

While the Treasury has not identified the criteria that would be used to determine whether an OTC derivative is standardised, it has stated that the mere fact that an OTC derivative is accepted for clearing by a clearinghouse should create a presumption that it is a standardised contract and thus must be cleared through a regulated clearinghouse.

Amending the CEA and securities laws would also authorise the CFTC and the SEC to impose that CCPs and trade repositories make aggregate data on open positions and trading volumes available to the public, and data on individual counterparty's trades and positions available to Federal regulators.

But arguably the most contentious proposals, which could lead to exchanges establishing a dominant position over the OTC markets, are those that encourage standardised contracts to be executed on exchanges and other transparent trading venues and the encouragement of institutions to make greater use of "regulated exchange-traded derivatives".

A lack of transparency in the market has probably benefited dealers in the past, as buyers for the most part didn't have easily accessible information on the spreads various dealers were offering. But dealers argue that OTC derivatives are often complex and "be-spoke" and therefore not suitable to be traded on an exchange.

While central clearing could reduce costs for OTC dealers because of savings associated with cross-margining and netting of positions in a clearinghouse, trading revenues from the higher-volume, more commoditised derivatives instruments will be under pressure if trades move to exchanges.

"We see risk of lost revenue opportunities if dealers lose control of distribution and trading shifts to transparent electronic venues," wrote analysts at Keefe, Bruyette & Woods in a report after the Treasury announced its plan.

## ***INDUSTRY REACTION***

Industry reaction to the proposals, predictably, has been mixed. While market participants have applauded the Treasury's call for more comprehensive transaction reporting requirements to regulators and the shifting of standardised OTC transactions to be cleared by CCPs, there is concern that the proposals are incentivising the use of exchange traded markets.

The Futures and Options Association, a UK-based trade body, has warned that regulatory pressure to move the execution of standardised OTC transactions onto exchanges and encourage regulated financial institutions to use exchange-traded derivatives could distort free market competition and restrict product diversity.

"FOA does not support the use of regulation to incentivise or disincentivise the use of particular markets. While greater supervision is inevitable, it is also important to maintain differentiation and execution choice in market structures," the FOA said.

It added that it strongly supports the right of customers to choose their preferred products and trade in their preferred markets and to use products that are appropriate to the risk profile of their businesses.



The Wholesale Markets Brokers' Association (WMBA), which represents the world's largest interdealer brokers, also warned of the impact of coercing OTC products onto exchanges.

"The WMBA wishes to warn again that forcing OTC products onto exchanges would significantly reduce liquidity in financial markets, resulting in increased risks and costs for end users as their ability to hedge their exposures would be handicapped," said David Clark, chairman, WMBA.

"Whilst the objective of making markets more secure is supported by all market participants, and certainly WMBA members, the unintended consequences of poorly thought through policy decisions would have a serious impact on the real economy," he said.

## *CLEARING*

While exchanges such as CME Group, Intercontinental Exchange, NYSE Euronext and Deutsche Borse with its Eurex subsidiary have clearinghouses that are set to benefit from the proposals, some exchanges have warned that it is important that the government does not mandate clearing for all contracts and they leave decisions to the market.

In a recent interview with Reuters, Craig Donohue, CME Group's CEO said, "We have to be careful to manage the risk profile of what we clear and there will be a range of things that we would not be comfortable clearing."

"We want to be able to make the decision to clear what we feel comfortable with from a risk perspective," Donohue said. "It's less a function of standardisation and more a function of how often does it trade, how good is the price reporting, how independent and objective are the pricing sources."

The Obama Administration's plans to strengthen the supervision of financial markets are broadly in line with Europe's efforts. The European Commission has put in motion its plans that will see the centralised clearing of CDS introduced in July. All major derivative dealers have made a pledge to use centralised clearing services at that time. The EC also said it would look at extending the use of a central clearinghouse for derivatives beyond that already planned for CDS.

## *ACI STAYS TUNED*

ACI will continue to stay tuned to the debate on behalf of its global membership. "ACI will continue to closely monitor this discussion", Manfred Wiebogen, President of ACI says. "First we shall take a closer look at the Financial Regulatory Reform and its targets by the US Department of the Treasury, but we will also monitor the debate within the European Commission on derivatives markets. Many standardised OTC derivatives products are already traded by our dealers on the different exchanges all over the world. This is not new to us. But there has only been reason for limited usage so far – this needs to be considered as part of any further regulatory reform.

"At this stage I am rather more concerned about the huge market share held by only a few market participants in some areas of our business, accounting for disproportionate market imbalances and domination."

## *INDUSTRY NEWS*

### *FX DERIVATIVES MOST WIDELY USED IN THE WORLD – ISDA SURVEY*

Foreign exchange derivatives are the most widely used derivatives instruments in the world according to a survey by the International Swaps and Derivatives Association.

The survey, released at ISDA's annual general meeting in Beijing, revealed that 94% of the world's 500 largest companies use derivative instruments to manage and hedge their business and financial risks. Of these, 88% use foreign exchange derivatives and 83% use interest rate derivatives.

The survey found that the use of derivative instruments is common to companies worldwide: among the 10 countries with the largest number of the 500 companies surveyed, all companies based in Canada, France, Great Britain, Japan and The Netherlands report using derivatives while 97% of German companies and 92% of US companies report using derivatives.

Companies in South Korea and China were least likely to report using derivatives, but 87% of Korean companies and 62% of Chinese companies nonetheless do report using these instruments, the survey found.

The companies included in the survey are headquartered in 32 different countries and represent a broad range of industries from basic materials to office equipment to retail and health care.

Usage of FX and interest rate derivatives was fairly uniform across all industries, ISDA says. Outside of financial services, 72-92% of all companies report using FX derivatives – the figure is 96% for financial services companies. ISDA says 70-94% of all surveyed companies use interest rate derivatives.

Usage of commodity, equity and credit derivatives is more concentrated among specific industries. While multinational companies across all industries use derivatives to manage foreign exchange and interest rate risk, the use of commodity derivatives is more limited, being concentrated among utilities (83%), companies involved in basic materials (79%) and financial services companies (63%). This is the second such survey conducted by ISDA: the first was in 2003.

The survey was conducted in March and April of 2009 using information reported in annual reports of the 2008 Fortune Global 500 and, in some cases, by contacting the companies directly. Of the 500 companies included in the Fortune Global 500, eight did not report sufficient information to make a determination, ISDA says. These companies were classified as not using derivatives.

## CONGRESS 2010

### BIG NAMES SET TO ADDRESS ACI WORLD CONGRESS 2010

ACI Australia continues with its preparations for the 49th ACI World Congress in Sydney from March 25-29, 2010. The Congress, entitled, *The Financial Markets: Evolution or Revolution?* will address a wide range of issues and challenges facing the financial markets as we continue with the long process of recovery from the global financial crisis. Three platinum sponsors have already been signed up – ANZ, Commonwealth Bank and Westpac. A further platinum sponsor is also likely to be unveiled in the coming weeks.

To kick-start the debate and discussion, ACI Australia has secured the valuable time of Paul Keating, former Treasurer and then Prime Minister of Australia to address the opening ceremony on Thursday evening. Keating was one of the main architects of the biggest financial reform program in Australia in recent history when he oversaw as Treasurer the economic deregulation plan in the mid-1980s that saw the Australian dollar floated in the foreign exchange market and foreign banks allowed to operate in Australia.

As a lively and interesting speaker and a man who has had, at times, a less than warm relationship with financial markets, the address should ensure an eventful and stimulating start to proceedings. "I am delighted to have the opportunity to speak at the ACI 2010 Conference a quarter of a century after my reforms to the Australian financial sector saw the development of the foreign exchange market and the deregulation of deposit and lending controls on banks," Keating says.

As the business sessions commence on Friday morning, the World Congress will be addressed by Glenn Stevens, Governor of the Reserve Bank of Australia. As ACI seeks to increase its dialogues and contacts with the world's central banks and regulators, Stevens' address will be an ideal opportunity for members to hear the latest thoughts from one of the regions most influential central bankers.



GLENN STEVENS, GOVERNOR, RESERVE BANK OF AUSTRALIA

The business sessions have been created with *Profit & Loss*, media partner of the Congress, and will seek to be truly innovative for an ACI Congress. With an afternoon dedicated to our customers – The Buyside PM – delegates will have a chance to hear from asset managers, corporates and hedge fund managers as to how the changing markets are impacting their business.



PAUL KEATING

To maintain the theme of "our peers, our clients, our organisations" that will permeate the Congress, delegates will also hear from a global CEO panel that will discuss the evolution of markets. From their ideas of how the "traditional" markets such as foreign exchange and fixed income will evolve, the four industry leaders will also discuss new markets – such as carbon emissions, water and power – and outline their expected impact on our business.

To reinforce the interaction with the global authorities, the Organising Committee is planning a panel session with a group of global regulators to discuss what is becoming one of the key issues facing our industry – the appropriate level of oversight and regulation. The Congress will finish off with a first for an ACI event – The ACI Forum.

More details of this unique session will be released nearer the time but it promises to be an entertaining, innovative and stimulating session.

"This is the most important international event for the financial markets industry in Australia for over a decade and as such promises to bring the best and brightest players to Sydney next year," says Jack Richards, President of ACI Australia and Chair of the ACI 2010 Organising Committee. ACI Australia says the Congress will combine the best of Australian hospitality with an exciting Financial Markets programme, a world class trade exhibition and a unique social program to ensure a truly memorable experience.

The event has been welcomed by the Premier of New South Wales, Nathan Rees, who says the ACI Congress, "cements Sydney's position as the leading international destination for business events and is another big tick for Sydney."

Details of how to attend can be found by going to [www.aciforex.org](http://www.aciforex.org), or [www.acicongress2010.com](http://www.acicongress2010.com).

# Registrations now open!

## The Financial Markets – Evolution or Revolution?

**ACI 2010, 49th World Congress • Sydney Australia • 25-28 March 2010**

### 2010 is your opportunity to visit Asia Pacific's financial capital.

The Organising Committee is pleased to invite you to attend the ACI 2010, 49th World Congress. This Congress promises to be an exciting and innovative forum for delegates with a broad, thought provoking and informative program. The Congress will combine the best of Australian hospitality with an exciting Financial Markets program, a world class trade exhibition and a unique social program to ensure a truly memorable experience.

Increase your business presence in Sydney, the global financial services hub of the Asia Pacific.

### Register at: [www.acicongress2010.com](http://www.acicongress2010.com)

The Congress website [www.acicongress2010.com](http://www.acicongress2010.com) will be your gateway to all Congress news and information so make sure you bookmark this site and to stay in the loop.

If you have a specific question relating to the event please contact the Congress Secretariat at [info@acicongress2010.com](mailto:info@acicongress2010.com) or +61 2 9518 7722.

The Financial Markets –  
Evolution or Revolution?



**ACI2010**  
49th World Congress  
Sydney Australia  
25-28 March 2010



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ACI, our Association continues to keep pace with the evolution of our markets and so too does our website. In order to enhance our image and to make our Association more visible to industry professionals, a comprehensive upgrade to the website has been released, including a new look homepage and additional contents.

## Market Topics

On the left of our home page, on a purple backcloth you will find relevant **MARKETS TOPICS**: The latest economic and financial news (mainly from the world's authorities and regulators) are displayed, together with their date of release and relevance, on an ongoing basis. The latest is displayed at the top of the page, which is important because we are currently publishing four or five updates per day.

Also in the **MARKETS TOPICS** section of our website is a menu that you reach with a click on the middle column. This is open to any news submitted by you, our members and our National Association. Each ACI member may send/propose news to ACI's Managing Director Jean-Pierre Ravisé, pertaining to his/her region or country, in order to make such news freely available to all ACI website visitors.

In addition, in the same **MARKETS TOPICS** menu, you will find information that has previously been published in ACI Inside in *ACI Briefing*.

## Global Weekly Planner

<Clicking> on [GLOBAL WEEKLY PLANNER NOVA RES](#) at our website leads you to the page dedicated to events (meetings, announcements etc.) planned during the actual or forthcoming week in the markets. This will keep you updated on financial markets-relevant data mainly from Central Bank or Supra-National Institutions.

## Bank Holidays Information

<Clicking> on the yellow line nearly at the bottom of the page leads you to today's and tomorrow's global holidays and non-settlement dates in various countries (the source being the ACI calendar). This is aimed at keeping you updated where ever you are in the world.

### *Frequently Asked Questions (FAQ)*

The FAQ page that you reach in the middle column has been rewritten in order to address the questions concerning only our Association “What is ACI?” The previous FAQ was mainly aimed towards education and the same still can be found at Education/Certification > Suite of Examinations.

### *ACI Flyer*

For better and easier marketing of our Association you will find in the middle of the page a box called “About ACI” within the block “ACI” at its end. This box leads you to a .pdf text presenting ACI in a flyer format and is free for downloading. This empowers you with a single document for distribution that is continuously updated and valid worldwide, that you can use as a reference to ACI – The Financial Markets Association whenever you meet local monetary and financial authorities of your country on behalf of your own Association. This “MARKETING BROCHURE” can be, of course, offered to participants at your local and regional events.

In order to affirm our strong institutional image and as well as to better cohere with [www.aciforex.org](http://www.aciforex.org), the various e-mail addresses of ACI’s Managing Director, Deputy Manager, Education, Secretariat, now end with .org instead of .com. Why org? “Org” stands for an association, whilst “com” stands for a company.

I do hope that these improvements will meet your expectations. Meanwhile I am open to any suggestions regarding further strengthening of ACI’s professional mission vis-à-vis our members and the financial community.

**Jean-Pierre Ravisé**  
Managing Director ACI

## ACI PEOPLE

### *ACI HIRES IN PARIS*

ACI – The Financial Markets Association has added to its staff in its Paris head office with the hire of Patricia Casal Iglesias as Administrative Assistant. A part time role, Patricia will work closely with ACI’s Managing Director, Jean-Pierre Ravisé, and Deputy Manager, Natalie Van Drenth. She joins ACI from Natixis and has worked in financial markets in both Paris and London.

“I am very excited about this new opportunity and look forward to being an active staff member of such an important Association as ACI,” she says.

Jean-Pierre Ravisé, adds, “Last October, in Singapore, it was agreed to hire a new staff member in ACI’s head office in order to secure the ACI administration process. Natalie has been with us since 1991 and has been responsible for developing by herself the secretariat and administration of our Association. The growing of the markets and the various members’ needs, especially in education, have made it necessary to strengthen ACI internally. Born and raised in Spain, with working experience in London and Paris, Patricia speaks Spanish (mother tongue), Portuguese (advanced), English (fluently) and French (bilingual). She will give us security and continuity in our expansion, thereby giving us confidence in our future.”

Patricia’s email is: [aciadministration@aciforex.org](mailto:aciadministration@aciforex.org) and her phone number is +33 1 42 96 19 58.



PATRICIA CASAL IGLESIAS

### *A FAREWELL TO MANFRED KUNERT*

Who of you does not know “King Kunert” – always dedicated to Treasury and ACI? A legend of ACI and the financial markets is retiring.

Manfred Kunert, born in 1946, retires at the age of nearly 63 from his last job: Board Member, Financial Markets, at Volksbank AG Austria. His retirement was announced by him long before the latest crisis occurred – he took a clear futures position, expiry: 30.6.2009.

Manfred is a manifold talented personality. Whatever he does is from the heart, involves the utmost professionalism and al-



ways aims to support his neighbours and colleagues. Over the years he became ‘superlative’ in the markets. His name became a synonym for quality and dedication. Many of you might remember him joking on this or that (in many different languages or dialects). He could have been an actor, entertainer, poet or a singer ..... but no – he always wanted to be a trader! Let me recall his career in short:

- 1965 – 1967 **Bank training at Creditanstalt Vienna**
- 1968 – 1975 **Heading FX-, MM and Sales desk at Bank Winter & Co Vienna**
- 1975 – 1977 **Heading Treasury at Bank Winter & Co Vienna**
- 1977 – 1981 **Chief trader FX and MM at ‘Genossenschaftliche Zentralbank’ Vienna (today’s RZB)**
- 1981 – 1982 **Treasurer and Board Member at Chase Manhattan Vienna**
- 1982 – 1984 **Treasurer Germany and Austria at Chase Manhattan Frankfurt**
- 1984 – 1989 **Global Manager Treasury at DG Frankfurt**  
**Business Manager at Carl Kliem GmbH Frankfurt**
- 1992 – 1998 **Global Manager Treasury at DG Frankfurt**
- 1998 – 2009 **Member of the Board - Österr. Volksbanken AG Vienna (Financial Markets)**

For those of you less than perfect at mathematics, that makes 44 years in the financial markets! This may be a record? And now just try to recall all the crises he has seen and experienced during his long dealer’s life – he managed and survived all of them. Only traders will understand what this means.

In the Treasury business he was amongst the first traders to create and adopt the compound interest rate formula within the forwards business. What is now done by computers was previously managed by hand:

$$\frac{\text{DM}\% * \text{day count} + 36000}{\text{\$}\% * \text{day count} + 36000} - 1) * \text{spot rate} = \text{SWAP}$$

All the business practices that are now common to exporters and importers and traders were invented during his era as a trader. He even led the way in developing some of the industry’s innovations. Ticket sizes of \$50,000 were standard as Manfred started in the business but they grew substantially ever since those days. A lot of stories involve him – just ask anyone in the markets or give me a call.

ONCE A DEALER – ALWAYS A DEALER – is the motto of our traders’ association. Manfred, I am sure you will always remember it. With you, ACI loses one of its biggest supporters it ever had. Thank you for so much support, the esprit de cours and vision you provided ACI during your long and illustrious career.

We wish you and ‘Ulla’ all the best in your new phase of life and be assured – we shall not forget you.

**Manfred Wiebogen**  
**President ACI The Financial Markets Association**

INSIDE ACI

**ACI EUROPE ESTABLISHED WITH NEW PRESIDENT**

As part of its ongoing drive to devolve more power to the regions, ACI – The Financial Markets Association recently witnessed the birth of ACI Europe – an organisation to sit alongside ACI Asia, which was established last year (see *ACI Briefing*, September 2008).

Jeanne Philippe has been elected as the first ACI Europe President. He is currently global head of FX and Options trading at Nataxis, managing a team of 30 traders in Paris, New York and across Asia. Philippe started his career in the financial markets in 1987 after graduating as a Civil Engineer, and then from ESSEC in Paris with an MBA in Finance and worked with Bar-



JEANNE PHILIPPE

clays Bank in Paris as an Interest Rate Options Trader with a specific focus on arbitrage techniques.

In 1991 he moved to Banque CGER-France in Paris where he headed the trading room. In 1995 Philippe was employed at Credit Agricole Indosuez. Initially in Paris, he was Head of Interest Rate Exotic Options, Hybrids and Commodities before being transferred to the bank's New York office as First Vice President and Manager, Derivatives and Credit Trading.

In 2003 Philippe transferred again with the now-named Calyon to its London office, where he was Global Head of Trading, Emerging Markets, before assuming his current role in 2005. He has had several articles published in industry media and is a regular speaker at industry conferences.

The core values of ACI Europe, according to Philippe, very much reflect those of the global organisation – education, professionalism through the promotion of The Model Code and market ethics, and the certification programme that is a reference point for many central banks. ACI Europe, does, of course, have other facets that are equally important, both in the region, and potentially globally. “EURIBOR ACI Working Groups have defined the consensus of market practices in the Eurozone,” he says. “EURIBOR ACI and the STEP committees are tremendous assets in our programme as they enhance communication and our relationships with central banks and regulators in the region.”

Philippe is keen to stress that ACI Europe is exactly that – a body for the whole of Europe. “All regions need to be proactive in the Association, we must not focus on the Eurozone alone,” he argues. “There are 33 countries represented in ACI Europe, we will ensure that no country is left behind and it is important that all good ideas, from any country, are circulated and marketed everywhere. There is a diversity in Europe which is its strength, and all European countries face the same issues and problems, albeit at different levels – and that is why communication is key.”

Philippe cannot stress enough the importance of good communication within and from ACI Europe. The global financial crisis has had a huge impact on the financial markets industry, and Philippe believes it is important that the wider world understands exactly how important a role the financial markets play. “There is much false information in the press about the roles of the banks and traders – we need to explain what we do and respond to criticism in a constructive way,” he says. “There is a risk of over-regulation following any crisis. ACI can be a part of the process that sets market standards. We can only do this if we are very open and transparent.”

Transparency is one of the key issues for ACI Europe in its infancy. Jeanne stresses that the Association has a role to play in working with central banks and regulators to discuss the best ways to come out of the current global financial crisis stronger. As far as the internal structure of ACI Europe is concerned, to help meet the challenges it faces, Philippe says that the organisation will map the Working Groups in every country and organise communication between people working on the same issues. “This will create a European focus which we can then take forward into our discussions with the wider financial community,” he explains.

The target for the financial community is, of course, a stronger market infrastructure. “The financial markets industry needs to reorganise after the crisis, with a stronger focus on liquid products,” Philippe says. “Clients have to be able to access a price and be able to exit a position. Equally, the industry needs consensus on the valuation processes of complex structures and clients must be further educated about the links between risk and return.

“For the institutions in our industry – our employers in many cases – we have to make sure that financial institutions have the adequate level of capital to support the risks they are running, both in market and counterparty terms. Stress testing needs to be a major part of this process. If we are able to achieve these goals, then we will be better placed to assist the reshaping of the financial markets following the crisis”

There is no doubt that ACI Europe is being born into an almost unprecedented financial climate. However, it can also be said that with his strong derivatives background and his willingness to ensure that ACI's voice is heard, the new regional body will be led well by its new President.

## CFP REPORTS ON AN ACTIVE REGULATORY ENVIRONMENT

New regulatory framework proposals, bills and/or papers are published almost daily by regulators and/or legislators worldwide. They reflect the public policy of each jurisdiction or region on, inter alia, the stability of the financial market system and/or investor protection.

The contents are, to varying degrees, influenced by the public voice and respective domestic political environment. Almost all of them, if implemented, would affect the inter-professional market. The professional financial market industry believes that the inter-professional market should be regulated only to an absolute minimum. In order to show that the inter-professional market is functioning in a sound manner, industry groups, including ACI, have been constantly working on promoting self-discipline within the market and its participants. But, the recent market turmoil and its effects on the general public have caused the legislators and regulators to encroach the line of scrimmage.

The huge tax money spendings and end-user (whether they are classified as “professionals” under the applicable law or not) complaints and losses have necessitated the commitment (or an effort or gesture) of the government to prevent any future recurrence. Leading industry groups in the major financial centres, such as the International Swaps and Derivatives Association

*TO SHOW THAT THE INTER-PROFESSIONAL MARKET IS FUNCTIONING IN A SOUND MANNER, INDUSTRY GROUPS, INCLUDING ACI, HAVE BEEN CONSTANTLY WORKING ON PROMOTING SELF-DISCIPLINE WITHIN THE MARKET AND ITS PARTICIPANTS*

(ISDA), are commenting, responding and testifying in the legislature to prevent the portion of such legislative/regulatory efforts which seem excessive in light of the objectives of the regulation and the *bona fide* economic and business benefits that these financial products bring about.

Examples of such contentious areas are the use of central counterparties (CCP) and listing of derivatives. Market participants are also aware of the benefits of CCP and listed derivatives, but do not believe that the OTC derivatives should be replaced by listed derivatives altogether. When the market develops and there is a general standard for the tenor, denomina-

tion and other key terms for the interbank trading, that product is ripe for CCP settlement or listing on an exchange. This is usually (with certain limited exceptions) the natural course of evolution of a financial market product, not the other way around. The key to this standardisation is documentation.

ACI's Committee for Professionalism (CFP) is charged with the good market practice, one of which is the use of market standard documentation. OTC derivative dealers strive to standardise the documentation to reduce the time and cost of documentation (in the early days of swaps, a simple interest rate swap contract was as voluminous as a Manhattan phone book) and to increase the volume and participants in the market thereby enhancing the stability and transparency of pricing. This would also help to establish a generally accepted legal, tax and accounting treatment of the product.

Some products, such as credit default swaps, need further amendment or supplement to the defined terms or standard conditions as facts and circumstances which were unforeseen at the time of the original drafting of the definitions emerge or simply when a new currency, price or index emerges. If you look at the websites of ISDA, the New York Foreign Exchange Committee, the Bond Markets Association, etc., you will note how many market practices have been reduced to a standard documentation. This has also contributed to less “elementary” market practice disputes being brought to CFP.

Unfortunately, ACI is not invited to any of these lobbying or documentation activities in London, New York or Washington. Despite the great effort put into by the recent presidents, Godfried De Vidts and Manfred Wiebogen, we have to admit that there is still a long way for ACI to be recognised as an industry group capable of making meaningful contribution to such activities. This is like the primogeniture of chicken and egg.

The work mentioned above requires involvement of various sections of leading firms, which will cost the firms time and money of having their key staff work outside (sometimes having to attend meetings overseas). But, unless and until ACI earns that recognition, such firms are not willing to commit and spare such manpower, time or budget, especially at a difficult time like this.

Having said this, ACI needs to keep up its efforts and the members need to be kept abreast of the changes or new developments in the market practices. For this, members are encouraged to check the websites of the above mentioned industry groups.

## ACI EDUCATION UPDATE

### EXAMS

The new ACI Diploma has now been translated into German. The exact date when candidates can sit for the German version, which is expected to be in July, will be published on our website [www.aciforex.org](http://www.aciforex.org) soon. ACI – The Financial Markets Association re-launched its top-level qualification, the ACI Diploma, in April. Now candidates can register for the new exam with the new Prometric code 3I0-009. Whereas formerly only ACI Dealing Certificate holders were eligible, now ACI Operations Certificate holders can sit for the ACI Diploma. Thus back office staff obtain a great opportunity to participate in our second level education programme and boost their careers. For more information please visit [http://www.aciforex.org/gb/aciforex-page.cfm?page\\_id=31](http://www.aciforex.org/gb/aciforex-page.cfm?page_id=31)

### ACI WEBSITE

The education section of our website has partly been restructured. You are now guided by our certificates if you click on Suite of Examinations [http://www.aciforex.org/gb/aciforex-page.cfm?page\\_id=31](http://www.aciforex.org/gb/aciforex-page.cfm?page_id=31). This puts our main products in the focus of the visitor and provides more clarity.

### APPEALS

ACI has recently revamped its exam appeal process implementing clear rules for candidates and decision making as well as an application tool on our website. The decision on a candidate's appeal is made by a special Appeals Committee which is a sub-committee of the ACI Board of Education. Its three members are independent and experts on financial markets. The ACI Board of Education has now assigned a new Appeals Committee and welcomes the new members:

- Roy Daniels as the Chair, Standard Bank of South Africa, Johannesburg
- Holger Seger, UBS, Zürich
- Ng Kwan Meng, United Overseas Bank, Singapore

We thank the former members of the Appeals Committee, Ellen Hertzke, Roberto Sciavi, Alan P. Malone, Phil Parker and Peter Skerrit for their great work and efforts in contributing to this process over the last several years.

**Andreas Emser**  
ACI Director of Education

## BBA REDEFINES THE “L” IN LIBOR



GODFRIED DE VIDTS  
PRESIDENT - EURIBOR ACI

Euribor ACI wrote to the British Bankers Association (BBA) on June 10, 2008 following the meeting organised in Vienna. In that letter the members of Euribor ACI expressed a clear desire for the continuation of the service provided by the indices for various currencies, in particular the US\$ LIBOR organised by the BBA, as long as the organisation was willing to look at a constructive dialogue.

Euribor ACI was of the opinion that this could only have been achieved in a much broader body of discussion, similar to previous issues that have been solved by having a wide but manageable group of market practitioners around the table from the European Union as a whole.

One of the issues raised was the use of the US\$ LIBOR being widely referred to in the international markets as “the most widely referenced interest rate index in the world”. Euribor ACI expressed surprise that the BBA indicated that the London market place was the only place that could be considered in its calculation of LIBOR. Euribor ACI stresses that its credibility would be greatly reinforced

by widening the pool of contributors to a larger panel of banks, including the major continental European institutions who trade huge amounts of US\$ in their daily activities either between themselves, with London counterparties, or elsewhere in the world.

Very much in the mind of the European Commission, together with market practitioners, is the notion that the concept of “cross-border” in Europe is disappearing. Many banks centralise their liquidity and collateral management in one office while

having smaller operations in euro and non-euro countries. The turmoil of the last two years has painfully shown how closely the European banking system is integrated.

Euribor ACI is grateful that the independent Foreign Exchange and Money Markets Committee discussed the definition of BBA LIBOR ensuring the rates remain the best possible benchmark for our rapidly changing markets. Previously the notes that accompanied the definition of BBA LIBOR stated that: "Contributions [to the rate fixing process] must represent rates formed in London and not elsewhere".

*EURIBOR ACI IS READY TO PLAY ITS PART IN THE IMPLEMENTATION OF THE FUTURE FRAMEWORK LAID DOWN BY THE EUROPEAN COMMISSION*

In a press release on June 19, 2009 the BBA referred to a recent meeting where the Committee members felt that this could be further clarified as there could be different interpretations of what constitutes a rate "formed in London". In addition, there are many major participants in the London money markets that are either not physically located in London, or do not book trades in London.

Therefore, with immediate effect, the note released by the BBA showed the interpretation of the definition to be read: "Contributions must represent rates at which a bank would be offered funds in the London Money Market"

This clarification will not affect the way in which current contributors formulate their rate submissions. However, it may allow banks that participate in the London markets, whose eligibility for inclusion in the fixing was not previously clear, to apply to join the panels. According to the BBA this is in line with the commitment made last year as a part of the LIBOR consultation to allow expansion of the LIBOR panels, whilst ensuring that LIBOR remains a tightly defined measure of the cost of unsecured interbank funding each morning in the London Market.

Euribor ACI sees this timely change as proof that various industry bodies would continue to be served well by discussing market issues in a wider forum and stands ready to play its part in the implementation of the future framework that was communicated by the European Commission in recent days.

## ACI IN THE GULF

### ACI'S PRESIDENT IN THE MIDDLE EAST

During a fact finding mission to ascertain conditions in financial markets in the Middle East, ACI's President, Manfred Wiebogen, met with the central banks of Bahrain and Qatar, as well as with the newly-elected Committee of ACI Bahrain.

During his visit, Wiebogen presented an Honorary ACI Diploma to Ahmed Isa Also-maim, Director at the Central Bank of Bahrain, and Mu'jib T. Al Turki, Director at the Central Bank of Qatar, in recognition for their support of ACI – The Financial Markets Association and its education programme.

During meetings to discuss the global economic and financial outlook and its impact of the Gulf Cooperation Council (GCC) region, ACI's President voiced his support for the single currency initiative (the Khaleeji Project) for the GCC region, which is now targeted for launch in 2013. The project, which involves Bahrain, Kuwait, Qatar and Saudi Arabia, continues to develop; in May Riyadh was announced as the future seat of the GCC central bank and monetary council.



MANFRED WIEBOGEN WITH MU'JIB T. AL TURKI, QATAR CENTRAL BANK

"I first spoke about the need to be aware of the changing world in August 2007 at the invitation of the TMA-ACI Hong Kong at the Hong Kong Monetary Authority, specifically the need for wider distribution of currency reserves," says Wiebogen. "This is becoming a big issue – it is reported daily how many new bank notes are being issued in the US and Eurozone – and only serves to emphasise the need for diversification. The Khaleeji project will be the next, and very necessary, step towards harmonisation of currency exposure that will provide another alternative to the US Dollar and Euro, which currently receive 66% and 26% of worldwide reserves respectively."

## ACI BAHRAIN ELECTS NEW BOARD

Following the transfer of its President Jalal Al Hussaini to Qatar, ACI Bahrain has elected a new Board and President, Hanadi H. Al Asmi, from Arab Bank, Bahrain. He will be joined by Sama Zowayed, from Inoest Bahrain, as Secretary; as well as Suhail Tohama, SEERA Islamic Bank; Nafeesa Al Balushi, Bahrain Financial Services Training Centre; and Salah Dad, Gulf International Bank.

“ACI’s Model Code and Certification programme provides governance and global standards to our industry. This is exactly what ACI has to promote in today’s market environment,” says Zowayed.

“We shall take up the challenge in these difficult days to move ahead,” says Al Asmi. “Personal networking will definitely become a bigger issue in our industry – very soon we shall contact our members and enter a closer relationship with the Bahraini banks and regulators.”



**Suhail Tohama**, SEERA Islamic Bank  
**Nafeesa Al Balushi**, Bahrain Financial Services Training Center  
**Hanadi H. Al Asmi**, Arab Bank (President)  
**Sama Zowayed**, Inoest Bahrain (Secretary)  
**Salah Dad**, Gulf International Bank



## BUSY YEAR FOR ACI AUSTRIA



ON THE PISTE

ACI Austria has had a very active first half of 2009 in terms of events for its members. So far, the association has organised two social events and one business event, starting in February with its traditional ski event at Semmering, a beautiful resort south west of Vienna.

The second event took place in the premises of the Oesterreichische Nationalbank. ACI Austria invited its members to a business event with an interesting topic: “Behavioural Finance” by Joachim Goldberg, who, in 1983, began to specialise in tech-

nical analysis while working as a currency trader. He then became head of this department at Deutsche Bank AG, where he remained until 2000. He was curious about the facets and elements behind individuals’ interaction with the market, but he found that charts and politico-economic principles did not provide an answer.



FRANZ GRUBER (L) CELEBRATES VICTORY

It was only when analysing psychological influences on financial markets that this trained banking professional was able to make sense of what coheres the financial world at its innermost and daily moves markets. Consequently, since 1996, Behavioural Finance has become his focal point. This US-bred discipline for the capital markets synthesises economics and psychology. Moreover, when errors do appear, Behavioral Finance demonstrates that most people make the same mistakes at the same time. It means that behaviour is systematic and, therefore, forecast-able.



NETWORKING

Finally, earlier in the year, the association had its annual golf tournament. This year it was the 50th anniversary event. It took place at the Lengfeld Golf Club and

saw 10 teams of four and 2 teams of 3 take part. After a great day of sunshine and showers, the association offered a typical Austrian-style buffet and a tombola with some nice prizes.

Finally, the winner of the golf competition should be mentioned. It was ACI Austria's President, Franz Gruber, who led from the front!

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## ***MACAU APPOINTS NEW COMMITTEE***

The Macau Financial Markets Association held its Annual General Meeting recently at which new members were appointed to its Committee. Roger Chan, the President of the association chaired the meeting and told members that the association had maintained a good communication channel with the local monetary authority, AMCM, and its affiliate, the Institute of Financial Services (IFS), as well as with bankers in Macau during the past year. The association also successfully organised some investment seminars and training programmes for local practitioners with the assistance of IFS and Thomson Reuters. Chan expressed the hope that the association could go on to organise further programmes in the near future.

MFMA joined ACI Asia in July 2008 as one of the founding members. Chan added that further communication and training programmes may come in the near future as a result of this affiliation.

At the meeting, the election for the new President for 2009 – 2011 was held. Grace Ng was elected as the new President from The Bank Of China, Macau Branch, while the following members were elected to stay on the Executive committee:

<b>Patrick Mok</b>	<b>HSBC</b>
<b>Roger Chan</b>	<b>Banco Weng Hang S.A.</b>
<b>Abraham Kot</b>	<b>The BCM Bank</b>
<b>Winnie Ng</b>	<b>Banco Weng Hang S.A.</b>
<b>Ronald Leng</b>	<b>Thomson Reuters Ltd</b>
<b>Yanki Vong</b>	<b>Luso International Bank</b>
<b>Raymond Ng</b>	<b>Bank of China, Macau Branch</b>
<b>Samuel Cheong</b>	<b>Guangdong Development Bank</b>

Further, new Committee Members were also elected:

<b>Kendrew Chiang</b>	<b>ICBC</b>
<b>Steven Chan</b>	<b>Bank of East Asia</b>
<b>Erine Kuok</b>	<b>Tai Fung Bank</b>
<b>Nelson Lei</b>	<b>Luso International Bank</b>

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## ***MAURITIUS SETS OUT AGENDA FOR COMING YEAR***

**A**t its recent General Assembly, ACI Mauritius re-appointed its Executive Committee for another year. The meeting heard a report for its delegate to the 2009 ACI World Congress in Cape Town and also determined to set up its own website for members.

A special focus on training and education was also agreed upon, as well as establishing seminars for candidates seeking to sit the ACI examination suite. The association is also seeking a training partner for a special session on technical analysis.

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## ***ACI SLOVENIA GA DISCUSSES LEGAL ISSUES: CREDIT CRUNCH***

**T**he 17th Annual General Assembly of ACI Slovenia was held in June at Bled, and alongside the election of Executive Committee members, delegates heard two very interesting presentations.

Peter Werner, Policy Director at ISDA (International Swaps and Derivatives Association), discussed, "The Need for Law Reform: OTC Derivatives Transactions in the CEE Region". Werner argued that the strong growth in the use of derivatives in the region meant the time was right to look at legal issues emanating from this growth. Effective risk management requires legal certainty, he stressed, adding that as far as ISDA is concerned this meant legal enforceability of contracts, a clarity of enforcement law and the availability of netting provisions, and clarity regarding the treatment of collateral.

Werner took delegates through ISDA's current initiatives in the region, and globally, and gave a progress report on developments in lesser developed CEE nations. He further discussed moves for a European netting convention as well as a directive

on collateral arrangements.

Delegates also had the opportunity to hear the views, and discuss current events, with Richard McGuire from RBC Capital Markets who presented on the credit crunch, looking at past, present and future trends with a sub-theme of trading the structural/cyclical divide.

McGuire noted, during a very interesting presentation, that the current economic downturn is “no ordinary recession”. He further pointed out that RBC’s economic models were pointing to a “V-Shaped” recovery.

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## *ACI GREECE APPOINTS NEW COMMITTEE*

**F**orex Club Hellas (ACI Greece) has unveiled its new board following recent elections. The new Chairman of the Association is Leonidas Fragiadakis from the National Bank of Greece. His Vice Chairman is Konstantinos Kamaris from HSBC Bank.

Also joining the new Committee is Athanasios Tsadaris from Attica Bank as General Secretary and Lambros Papadeas from Piraeus Bank as Treasurer.

To help enhance internal and external communication, ACI Greece has also nominated a committee member, Athanasios Papadopoulos from National Bank of Greece for public relations and relations with ACI globally. Education activities will be the responsibility of Athanasios Pavlidis from Alpha Bank and social events comes under the purview of Nikos Papatiriou from HSBC Bank.

Alexandros Papandreou from National Bank of Greece and Marinos Danalatos from Fortis Bank have also been appointed members of the committee.

# UPCOMING EVENTS - UPDATE



**35TH ICA CONGRESS**  
BEIRUT, LEBANON  
OCTOBER 22-25 2009



**49TH ACI CONGRESS**  
SYDNEY, AUSTRALIA  
MARCH 25-28 2010



## **ACI BRIEFING Q4 ISSUE - PREVIEW**

ACI INSIDE - THE REGIONS

OTC VS THE EXCHANGE – PART TWO

LOOKING AHEAD TO ACI 2010

**AS WELL AS FUTURE EVENTS, MEMBERS CAN CHECK OUT PAST EVENTS, WITH  
REPORTS AND PHOTOGRAPHS  
GO TO [WWW.ACIFOREX.ORG](http://WWW.ACIFOREX.ORG)**