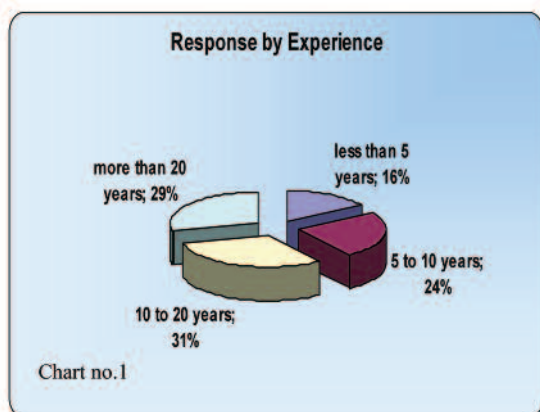




## ACI SURVEYS MEMBERS ON MONEY MARKET CONDITIONS



In the run up to the recent 47th World Congress, ACI – The Financial Markets Association surveyed its members on the “Functioning of the Money Markets”. The aim of the survey was to provide first hand experience of conditions in the worlds’ money markets as seen by those at the “coal face” – ACI’s members.

A total of 106 replies were received which indicates the seriousness with which ACI members view current market conditions, however five were dismissed due to faulty completion. Of the remaining respondents, 59% were from Europe, 13% from Africa, 9% from the Middle East and the balance were unidentified. 31% of respondents had between 10 and 20 years’ experience, 29% more than 20 years, 24% between five and 10 years’ experience, and 5% under five years, meaning a broad range of experience was tapped by the Association.

Acknowledging that its members are tremendously busy people, ACI deliberately kept the questionnaire brief and focused on three core issues: liquidity, LIBOR and market confidence. Questions were both closed and open ended.

*continued on page 3*

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# FOREWORD BY THE PRESIDENT

## *Dear ACI Members*

In the last issue of ACI Briefing, I shared my thoughts about the evolving market environment and the risks arising from events in the market. The newspapers are still full of news about the liquidity crunch and inflation – only now it has become an international, rather than a regional issue.

Since the last issue of ACI Briefing, the ACI community has had the opportunity to participate in two major events; the 47<sup>th</sup> ACI World Congress and the Market Survey on money market conditions.

Those of you who were unable to attend the Congress in Vienna missed a lot. Some 700 delegates and more than 50 spouses took the chance to participate and meet at the biggest ACI networking event of the year, which also attracted 57 exhibitors. I would like, on your behalf, to thank the exhibitors, and the 21 sponsors who support the idea and spirit of ACI, for their support and interest in our association.



MANFRED WIEBOGEN

Know Your Members – Know Your Partners – Know Your Customers are the slogans of my Presidency. The time is right for mutual understanding and my sense is that our traders' community is moving closer together once again.

Hopefully, you will all have read the special edition of ACI Briefing that celebrated the 47<sup>th</sup> Congress in Vienna, so I stop here, save to say a big “thank you” to the Organising Committee. They have done a tremendous (voluntary) job!

The current liquidity crisis, the changing environment in money markets, but also the repeated misquoting in some LIBOR periods, prompted ACI – The Financial Markets Association to ask its members for their views on the actual situation in money markets.

We received many interesting replies from our members – traders responsible for the daily business in these markets – and you will find a summary of the questionnaire inside this edition of ACI Briefing, but also on our Web page, [www.aciforex.com](http://www.aciforex.com) (together with a host of other useful resources).

My special thanks to all of you who completed the survey. ACI's sole interest is to provide first-hand information to the authorities and regulators, central banks, the British Bankers Association and media on the aforementioned market topics – information which might be used to fuel further discussion. Our members are a valuable resource and as such the information provided in the survey will, we hope, be of great value to the wider industry.

The Vienna Congress coincided with the first anniversary of my becoming President. It was a tough year – my colleagues from the Executive Board and myself had to work hard, but it was not without achievement.

We have;

A new structure for the Association

New statutes

New Web appearance

A marketing brochure

An education services agreement between ACI and the Frankfurt School

An ACI global education centre with an office in Frankfurt and a new Director of Education

A common ACI stand for congresses

Released a new Treasury Operations Certificate

Conducted a global questionnaire on the functioning of the money markets

We have, of course, done much more – they are just the highlights – but I would like to remind you all that this work is done on a voluntary basis. Many, many thanks to all the members of the Executive Board and the Working Groups – they have done a great job.

Now it is up to you to take a closer look into the issues at hand – it will be worth your time.

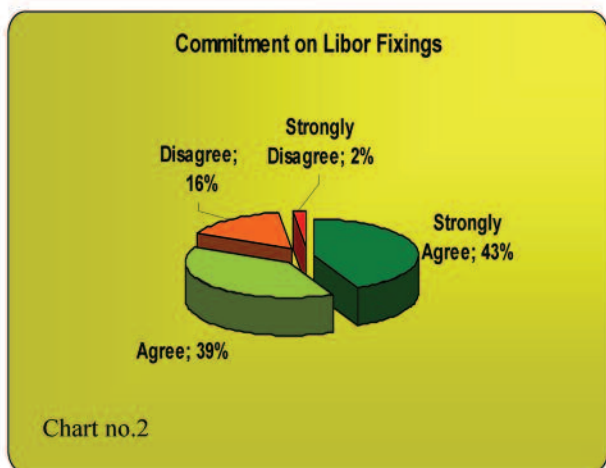
**Manfred Wiebogen**

*President ACI – The Financial Markets Association*

# ACI SURVEYS MEMBERS ON MONEY MARKET CONDITIONS (CONT)

## QUESTION ONE

*It has been widely reported in the press that some LIBOR fixings have not reflected the actual prevailing money market rates for cash. Do you agree?*



*Which fixings need to be improved and how can the quality of such fixings be improved?*

A massive 82% of respondents agreed (39%) or strongly agreed (43%) that the fixings were not reflecting actual market rates. Of these, 24% indicated that this mainly concerns the US dollar LIBOR fixing, which varies between 15 and 25bps from actual rates in the market. There were also mentions of off-market Swiss franc and Sterling fixings, indeed one respondent noted that Swiss franc fixings below actual market rates was a normal characteristic prior to August 2007.

Of the 18% that disagreed with the statement, three main points were promoted.

- i) The LIBOR fixing is still the best reference of actual market rates that one can get
- ii) There has simply been a reassessment of credit risk and some have lost access to LIBOR borrowing
- iii) It could well be true for other banks but this has not affected our funding

As far as the second question is concerned, the strongest opinion expressed was by 14% of respondents, who argued that the number of panel banks participating in the fixing should be increased. Others (6%) suggested that the fixing should be calculated as a weighted average of concluded trades throughout the day as is the case with the OIS fixings. An additional 5% asked for a new methodology that will change the definition of LIBOR from where institutions would be prepared to borrow to where they would be prepared to lend.

Other individual comments received were:

- Let the Treasurers set up the rate and not people out of the market, such as the loans department
- LIBOR does not really represent the interbank anymore as Treasurers use EONIA and the Fed Funds rate instead
- Peak spread is located in US dollars three month LIBOR which has a significant influence on derivatives markets
- Banks should contribute their rates without reference to rates contributed by other contributing banks, yet it is common knowledge that LIBOR fixings are predetermined by consultation with the brokers earlier in the day
- Sponsors of the fixing (British Bankers Association and Euribor) should ensure that panel banks are aware of the rules for price discovery and contribute only rates which are in compliance with these rules. Moreover, the sponsors should obtain informal rates from other banks to spot and investigate any differences to the actual quotes from the panel banks

## QUESTION TWO

*Central banks around the world have tried in various ways to restore trust in the markets. They have injected unprecedented amounts of liquidity into the banking system.*

*2:1 What do you think is needed to restore confidence to the markets?*

To this crucial question, 14% replied that first there needs to be a full disclosure of all losses and risks hidden in the balance sheets of the big banks. A further 14% noted that the banks needed time and that a series of positive quarterly results will restore confidence.

Opinion was divided over the role of central banks in managing the credit crunch with 10% seeking more injections of cash for long tenors, whereas 7% thought that central banks should reduce the level of intervention in the markets. The general view of the latter was that through their intervention, central banks are simply buying time and prolonging the crisis.

Other replies as to what is needed to restore confidence in the money markets included:

- A good benchmark
- Tighter regulation on leveraged buyouts

- Simplified accounting standards that can be understood by all

It was also suggested that the European Central Bank should reduce fine tuning operations in which it absorbs extra liquidity at the end of each maintenance period so as to penalise those banks hoarding unnecessary cash.

### 2:2 Has the Money Market gone out of fashion?

No 74%  
Yes 26%

### 2:3 Is a well-functioning money market of importance and what will be the future role of the money market trader?

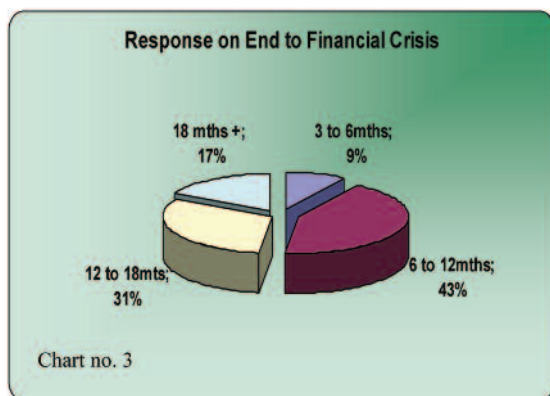
18% of respondents believed that the money market trader will remain of vital importance to banks and its role will remain largely unchanged; i.e. funding in the cheapest fashion possible, investing funds actively and nurturing a stable funding base for the bank. Additionally, a good number of respondents have highlighted that having a well-established and well-educated money market trading desk is one of the most important assets a bank can have in times of market turmoil.

Having noted that, 17% pointed out that the role of the money market trader has changed and that nowadays it is becoming more akin to that of a liquidity manager rather than a trader. Two respondents suggested that in future the money markets desk will become a service centre rather than a profit centre.

Other respondents also suggested:

- Money markets are of utmost importance to the macro economy as they are a key to the efficient transmission of monetary policy
- Liquidity risk and its management has become a top priority for supervisory boards, regulators and legislators alike
- Money market traders will always be present as firefighters, ready to fight the next crisis

### QUESTION THREE



### When will the credit crunch be over and what do you think is the main reason behind high cash interbank rates?

There was a broad range of responses to this question, although the consensus is that it will not be a quick fix – 43% suggested the credit crunch be over in six to 12 months and 31% suggest it will take 12 to 18 months. 17% expressed the gloomy view that the crunch could take 18 months to abate, while just 9% were “optimistic” in stating it will be over in three to six months.

As for the reason behind high cash rates, 28% of respondents believed it was simply a function of supply and demand; 20% pointed to credit concerns and a lack of trust between banks; and 10% cited managements’

strict orders not to lend in the interbank market. As noted earlier, concerns were also highlighted (by 6%), over hoarding or reserving of cash; in addition 5% complained of exploitation by liquid banks to earn more money as many assets are linked to variable rates. Just 2% of respondents suggested a more basic reason behind higher rates – a desperation for cash!

Other arguments or statements provided also included:

- An erroneously low LIBOR fixing means that traders would end up trapped short of funds at a rate at which they can not fund themselves. Therefore, traders are hoarding all funds that they have or can obtain so as to rectify any of their positions. Moreover, those having access to central bank money do not have an incentive to offer it back to the inter bank market
- Liquidity costs prior to August 2007 were too low, whereas now they are arguably too high, therefore the market is trying to adjust to the appropriate level
- Basel II, and other regulations concerning liquidity, discourage banks to lend money in the interbank market other than for very short periods
- Cash is a commodity which has suddenly become scarce as the big banks need it to finance the number of special investment vehicles (SIVs) brought onto their balance sheet following the collapse of the sub-prime market.

To accompany the questionnaire, ACI – The Financial Markets Association entered respondents into a prize draw.

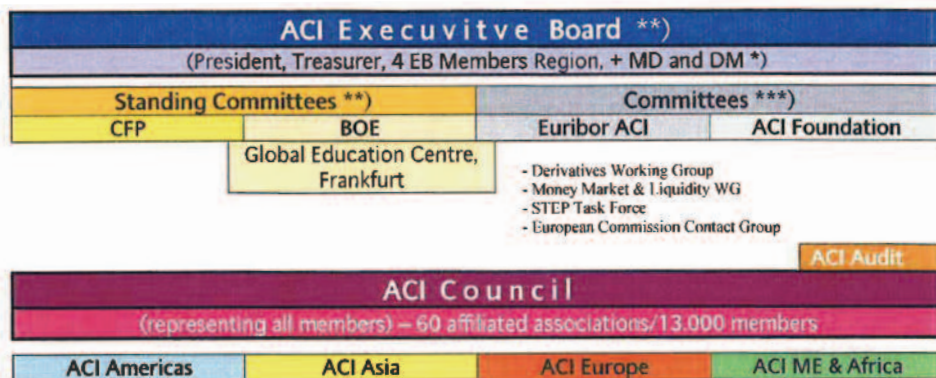
The winners were:

- |            |   |
|------------|---|
| 1/ iPhone  | Deborah Wallis, Landesbank Berlin, London |
| 2/ iPod 80 | Julian Wasik, BPH, Poland                 |
| 3/ iPod 80 | Jaana Sulin, Nordea Bank, Finland         |

## NEW STRUCTURE FOR ACI IS OFFICIAL!

At the general Assembly of ACI – The Financial Markets Association, a new structure was proposed by the Executive Committee, and ratified by members, that will make ACI globally more agile and responsive to events in the world’s financial markets.

The new structure sees the current Executive Committee streamlined as part of a move to shift more responsibilities to the regions, which in turn will mean that ACI is more relevant to local members as well as to global organisations. It also sees other ACI bodies such as the Board of Education and Committee for Professionalism, revamped, a process that is ongoing with Euribor ACI and the ACI Foundation.



\*) Managing Director and Deputy Manager  
 \*\*) ACI is registered under French law, Standing Committees under/with management of ACI Executive Board  
 \*\*\*) Own associations: Euribor ACI under Belgian law, ACI Foundation under UK law

Under the new structure, which was agreed by more than 500 participants at the ACI General Assembly in Vienna (the largest turnout for an Assembly for some years), ACI’s Executive Board will be made up of the Association’s global President and Treasurer, ACI’s Managing Director and Deputy Managing Director, and for members from the four main regions that have been created. These are; ACI Americas, ACI Asia (see related story for an explanation of how the new structure will work), ACI Europe and ACI Middle East & Africa.

Several appointments were unveiled during the General Assembly in Vienna, including Aldo Bortolotti, who was appointed Treasurer of ACI, succeeding the late and much-lamented Armin Steppan. Elsewhere, Otto Amberg of Schroder & Co, Zurich and Vincent de Smet of AXA Belgium, Brussels were appointed as Auditors.

ACI’s Executive Board is completed by the four Regional Presidents; Lynn Kennedy of Bank of Montreal, Toronto for the Americas; Eddie Tan of Citibank, Singapore for Asia; and Pier Mario Satta of Intesa San Paolo, Milan for Europe. A regional President for the Middle East & Africa region is to be appointed, however Shadi Hanna of Byblos Bank, Beirut is filling the role on an interim basis.

Hanna also stepped down after an extended term as Vice President of ACI – The Financial Markets Association and a replacement will be nominated and elected in due course.

Christoph Niggli is Chair of the Board of Education and has been joined by ACI’s Director of Education Andreas Emser of the Frankfurt School of Finance and Management. Terry Tanaka remains as Chair of ACI’s Committee for Professionalism and Godfried De Vidts continues as President of Euribor ACI.

Contact details of all Committee members by visiting the relevant committee page on [www.aciforex.com](http://www.aciforex.com).

## ACI ASIA IS LAUNCHED

To better reflect the needs of its regional members and in recognition of the different priorities that can be seen in different areas of the world, the formation of ACI Asia was formally approved at the ACI Council meeting in Vienna. Eddie Tan, who has been named Regional President, told Council members that ACI Asia shares the same missions with ACI – The Financial Markets Association, but was specifically aimed at promoting market development in Asia. He said that activities at the core of ACI’s value proposition – education in particular – needed to be tailored for delivery in Asia, which in many cases had different needs to other areas of the world such as Europe.

Tan also saw ACI Asia’s role as representing local markets on global forums, such as ACI – The Financial Markets Association and seeking to address issues of regional concern. To do this, a strong co-operation between member associations in Asia

was required, something that can be achieved through the formation of ACI Asia.

The proposed organisational structure of the group would see 14 existing National Associations grouped into four sub-regions of North Asia, South Asia, South East Asia and Pacific. This would mean the creation of a structure similar to that of ACI – The Financial Markets Association, in which representatives of each sub-region would sit with a regional president, treasurer and secretariat on an Executive Board, with the ultimate authority lying with ACI Asia Council.

While ACI Asia is affiliated to ACI – The Financial Markets Association, it will have autonomy of affairs within the region and will seek the approval of ACI for matters that go beyond, such as inter-regional activities and ACI work such as The Model Code.

First task for the new group, Tan suggested, was to establish procedures for an efficient mechanism to deliver value to ACI Asia members, through effective channels of communication, both internally and externally. He also suggested that ACI Asia would commission an external consultant to study ways to establish a commonly-accepted region-wide professional qualification regime, as well as a framework for an education programme.

Once this was achieved, the organisation could then focus on implementing the new frameworks and identify internal and external pools of experts to deliver workshops and other forums to discuss issues such as The Model Code and its value in Asian financial markets. It would also be in a position to approach regional regulators and policy makers to establish regular contact and consultation. As part of this, it would seek to carry out studies on policy and regulatory issues of common interest.

ACI Asia would establish a sound financial framework based upon contributions from the five major centres in the Asian region as well as from rebated membership fees from ACI – The Financial Markets Association. This would ensure that local members would receive the direct benefit of their work carried out using their membership fees as well as retain the benefits from, and support the work of, ACI globally.

The founding members of ACI Asia, aside from Tan, are Koichi Kano from Japan as Regional Treasurer; Eugene Acevedo from Hong Kong representing North Asia; Linus Chua representing South East Asia; A.N.Appaiah from India representing South Asia; and Mike Eastaway from Australia representing the Pacific region.

The first Council and Executive Board meetings of ACI Asia are scheduled for July 10, with the official inauguration set for July 11 in Hong Kong.

14 national associations in Asia Pacific regions are grouped into 4 sub-regions:

North Asia	South East Asia	South Asia	Pacific
Hong Kong Japan Korea Macau	Indonesia Malaysia Philippines Singapore Thailand	India Pakistan Sri Lanka	Australia New Zealand
<i>Potential Members</i> China Mongolia		<i>Potential Members</i> Bangladesh	

## ACI EDUCATION: STRATEGY FOR A CHANGING WORLD

At last month's Council Meeting of ACI – The Financial Markets Association, Board of Education Chair Christoph Niggli presented to members a *Strategy for a Changing World*.

Niggli outlined his Board's vision for the future of education, stressing that the Association needed to ensure it became the top provider of examinations in the financial markets industry and that these exams became a "license to deal" in those areas of the world undergoing an accreditation process.

He also stressed the need for ACI to play the leadership role by innovating in the field of education and to this end it should promote "think tank learning", where senior professional exchange views and opinions over a range of subjects, including what might be termed the unthinkable in terms of market events, especially in the shadow of market events of the past 10 months.

By becoming a global benchmark in financial markets education, Niggli told mem-



CHRISTOPH NIGGLI  
BOARD OF EDUCATION CHAIR

bers that ACI would demonstrate the benefits of membership and its value to the industry as a whole. It will do this by providing the most relevant and up-to-date knowledge in financial markets in an integrated and high quality learning and examination framework. ACI is also in the position to deliver a unique and global network of experts to provide the highest quality learning and examination delivery.

He also stressed that education can play a serious role in providing reliable and effective career planning tools and foster adherence to The Model Code, which is becoming increasingly recognised around the world. The result of this vision would see ACI offer expert guidance on financial markets' issues and provide global standards that can be applicable in every part of the world.

To become the global benchmark, Niggli pointed out the critical need to maintain the highest possible standards to ensure candidates are offered top quality learning tools and materials to enhance their examination performance. ACI also needs to ensure that it continues to offer perfect examination delivery processes.

As far as the Board's work is concerned, Niggli said that it was in the process of creating a consultative examination portfolio and implementing integrated examination preparation tools. As the framework develops further, he suggested that new courses could be established by ACI Education which would enable it to further deliver value to its members.

To succeed in its vision it will take a unified effort on the part of the entire organisation, he further added, noting that closer collaboration between the global function of ACI – The Financial Markets Association and its regional bodies was imperative. It was the role of the central organisation to support regional/local initiatives in the education field which will enable those regions to emphasise local distinctions.

As an example of the regional/global co-operation, Niggli explained that in the area of exam preparation, for example, while National Associations would organise training programmes, they would receive support from ACI globally in finding, assessing and selecting trainers; the evaluation of the trainers and their programmes and bringing candidates together to learn.

ACI globally would further support the local association efforts by accrediting trainers, providing training guidelines, instigate a "train the trainer" programme using FSFM. The global organisation would also provide study material and e-learning tools.

ACI Education's strategy for the future will connect members, candidates and experts, Niggli explained, which in turn will lead to further recognition of ACI's examinations globally. This, along with a unified communication process alongside the Frankfurt School of Finance and Management (FSFM), will see ACI create one of, if not the, leading education "brand", he added.

## THE ACI FOUNDATION

Established in 1995 as a UK-registered charity, the ACI Foundation seeks to advance education in subjects related to financial markets such as bonds, derivatives, equity investments, pensions, mortgages and general finance matters.



L - R: EUGENE PRIM, DAVID CLARK, MARTIN WARMSLEY & MANFRED WIEBOGEN

The Foundation is managed by a group of Independent Trustees with representation permitted from both ACI – The Financial Markets Association and from outside.

The Trustees met June 3rd in London (pictured) to discuss future goals and funding of the Foundation.

The main focus of the Foundation has previously been to support emerging countries in their educational development through bursaries that assist people from those nations with the cost of sitting ACI examinations. Typically, bursary applications have been received from countries such as the Republic of Macedonia, Nigeria, Kenya, Tanzania, Zambia and Zimbabwe, however the Trustees review all applications from anywhere in the world equally.

As well as providing financial support for those seeking to sit the ACI Dealing Certificate, the ACI Foundation also seeks to promote ACI as it works to develop ethical standards as provided in ACI's The Model Code. Its work is not restricted to ACI member countries, indeed the Foundation can help developing financial markets meet the demands of the global market and ultimately succeed in gaining full membership of ACI – The Financial Markets Association.

For more details on the ACI Foundation and information on making a Bursary application, visit [www.aciforex.com/education/theacifoundation](http://www.aciforex.com/education/theacifoundation).

### ACI WINNER RIDES OFF ON KTM 990 SUPERDUKE

One lucky member of ACI – The Financial Markets Association walked, or rather rode off, with a spectacular prize after the General Assembly.

The Organising Committee of the 47th World Congress provided a KTM 990 SuperDuke motorcycle, kindly donated by KTM Motorcycles, which has a value of EUR 13,000, to be given as first prize in a draw conducted at the General Assembly.

Manfred Kunert, President of ACI Austria and Chair of the Congress presented the motorcycle to a very surprised and delighted Julian Smith of RBC Dexia, London at the end of the General Assembly, so any friends of Mr Smith, get your leathers ready!



### ANOTHER STRONG YEAR FOR EURIBOR ACI



GODFRIED DE VIDTS,  
PRESIDENT OF EURIBOR ACI

At the Annual General Assembly of ACI – The Financial Markets Association in Vienna, the President of Euribor ACI, Godfried De Vidts, reported on another year of achievement for the group.

Three meetings were held during the year to May 2008, with one, in December 2007, being cancelled due to market conditions, however an end-of-year report was still distributed.

#### **Several nominations were received for the various sub-committees within Euribor ACI:**

##### *For the Euribor ACI Steering Committee*

Niki Soulopoulou, George-Henrich Sieveking and Jean-Jacques Quellec

##### *For the EONIA Swap Index Steering Committee*

Achim Kraemer, Fabrizio Tallei, Marc Pellet and Hugo Neuhold

##### *For the STEP Market Committee*

Claudia Benci, Tim O'Connell, Olivier Brissaud, Pilippe Billot and Pepine Sigtermans

During the year, the Euribor ACI Board, which includes Andreas Hauschild (Vice President), Thierry Cazaux (Secretary), Joerg Isselmann, Giuseppe Attana, Paul Mercier (Observer) and the Chairs of the various Working Groups by invitation, continued to study the issue of the commercialisation of Euribor ACI and EONIA. A letter was despatched to Guido Ravoet, Secretary General of the European Banking Federation (FBE) which stated clearly the Board's belief that for information purposes only, EONIA and Euribor ACI data should remain free of charge. However if the names or data were to be used for commercial purposes, such as by market trading venues such as exchanges, a fee should be charged.

De Vidts outlined to ACI members the tremendous impact events were having upon the money markets before stressing Euribor ACI's definition of collateral and liquidity management.

He further reported on the work of Euribor ACI's sub-committees. The Money Market and Liquidity Working Group (MMLWG) has clearly had a busy year as the issues at the core of its existence have been thrust into the spotlight by events such as the near-collapse of Northern Rock and Bear Stearns. Key topics for the MMLWG throughout the year were liquidity, the approach taken by the world's central banks to quell market turbulence and the implementation of systems such as Target2, T2S and CCBM2.

The MMLWG also worked closely with the EU Commission Working Group throughout the year to contribute to a series of public consultation documents studying the infrastructure of European markets and the implementation of regulations such as MiFID. Looking ahead, the two groups will continue to collaborate on a project to introduce regulation guarding liquidity in European markets.

Members were also formally informed of the work of the Derivatives Working Group of Euribor ACI, which included the changing of the fixing time for the EONIA Swap Index from 16:30 Central European Time, to 11:00; as well as the launch of an EONIA FRA product.

The prestigious STEP (Short Term European Paper) project also had a momentous year, receiving the official backing of the European Central Bank for another two years. It was also part of the discussions at EU Commission level regarding market transparency. "STEP is a good example of market forces working with the authorities within the "Lisbon" agenda to create a truly European financial market," De Vidts told ACI members.

## A TRIBUTE TO VOLUNTEERS – ACI BESTOWS HONORARY MEMBERSHIPS

**A**CI – The Financial Markets Association would struggle to exist without the unwavering support and hard work of its members, most of whom are volunteers that give up their precious spare time to help the Association advance understanding and professionalism in financial markets.



Under Article VIII.1 of ACI's Statutes, it states; "On the recommendation of the Executive Board, the Council of ACI – The Financial Markets Association may confer the title Honorary President or Honorary Member" upon people that it believes has provided exceptional support or service to the Association.

It was with great pleasure – and some sadness – that Manfred Wiebogen proposed seven Honorary memberships at the recent Council Meeting in Vienna. Wiebogen was delighted to receive the unanimous approval of Council for Honorary Memberships to six outgoing members of ACI's Executive Committee (Excom), all of whom have provided exceptional service.

L - R:

Sonja Miladinovsky, Societe Generale, Belgrade; SRE Eastern Europe  
Antonio Goncalves, Banco de Portugal, Lisbon; SRE Mediterranean Region  
Natalie van Drenth, Deputy Manager - ACI International, Paris  
Jan Tradgadh, Swedbank Markets, Stockholm: SRE Nordic Region  
Shadi Hanna, Byblos Bank, Beirut: Vice President ACI  
Andrea Lanzi, HSBC Dusseldorf: SRE German speaking countries  
Joseph Hensen, BIL Dexia Luxembourg: SRE Benelux, France and Monaco  
Manfred Wiebogen, President ACI – The Financial Markets Association



ARMIN STEPPAN

In addition, with inevitable sadness, Council unanimously approved posthumous Honorary Membership upon Armin Steppan, former Treasurer of ACI, who passed away in November 2007.

## ACI MEMBERS ATTEND ECB CELEBRATIONS

**S**enior members of ACI – The Financial Markets Association were among honoured guests invited to celebrate the 10<sup>th</sup> anniversary of the European Central Bank and the European System of Central Banks on June 2, 2008 in Frankfurt.

ACI's President Manfred Wiebogen, the former President of ACI Germany, Jorg Isselmann and the Chair of Euribor ACI, Godfried De Vidts, mixed with distinguished guests at the prestigious event.

The President of the ECB, Jean-Claude Trichet, delivered the introductory speech and was followed by Hans-Gert Pottering, President of the European Parliament; Janet Jansa, President of the Council of the European Union; Jose Manuel Barroso, President of the European Commission; Jean-Claude Juncker, President of the Eurogroup; and German Chancellor Angela Merkel.





The speeches presaged a concert at the Frankfurt Opera House, celebrating the Cultural Day of the European Central Bank – EU 2008, which was given by the Chamber Orchestra of Europe, conducted by Sir Roger Norrington.

ACI's President recently told delegates that the implementation of the euro is a "story of success" and it is rapidly becoming a reserve currency that is seen as a safe haven.

## NEWS FROM THE ASSOCIATIONS

### ACI SLOVENIA ELECTS NEW EXECUTIVE BOARD

ACI Forex Slovenia held its General Assembly in Portoroz in June, attracting 130 delegates, some 50 of whom were visitors from abroad. The Assembly was followed by elections at which a new Executive Board was elected, its first task is to find a replacement for outgoing President Branko Kobal who has to step down due to a move to Belgrade. Alenka Gedrih from Banka Slovenije also left the Board and long-standing member Jana Puskin, former President of ACI Forex Slovenia was awarded honorary membership.

Members were treated to speeches by ACI Global President Manfred Wiebogen; Adarsh Sinha, Barclays Capital's G-10 FX Strategist and finally, Matevz Zbasnik, Head of Market Operations at the Banka Slovenije. Copies of the presentations can be found on [www.aciforex.com](http://www.aciforex.com).

The all important networking opportunity was provided for delegates at the evening barbeque at the Restaurant Ondina, this provided a very successful end to fascinating day.

### ACI CROATIA HOSTS GENERAL ASSEMBLY

ACI Croatia welcomed some 250 delegates to its General Assembly recently, of which 40 were friends and colleagues from abroad. The Assembly, held at the Hotel Meridien in Split, commenced with a welcome reception in the historic town centre which dates back to the third century, this was followed by networking opportunities during tours of local attractions.

The Assembly also hosted a very interesting round table discussion on Capital Markets in Croatia and the Region. Speakers were; Velimir Sonje, President of the Board, IFC; Darko Brborovic, President of the Board, OTP Invest; Constantin Cesnovar, Head of Treasury, Hypo Alpe-Adria-Bank; Dubravko Stimac, President of the Board, PBZ Croatia Insurance; and Goaran Saravanja, Head Economist at Zagrebacka Banka.



### NEW PRESIDENT FOR ACI GERMANY

ACI Germany held its General Assembly in Frankfurt recently, during which the Association welcomed a new President. More than 700 delegates from different areas of the German financial markets as well as a number of visitors from abroad attended the three day event which kicked off with an ACI Board dinner on the Thursday night. The meeting was officially opened on Friday evening at the Hotel Maritim, before delegates got down to serious business on Saturday at the General Assembly itself.

BHF Bank's Jorg Is-selmann, who has done so much for ACI globally during his long Presidency of ACI Germany, stepped down and was honoured to introduce his successor, Georg-Heinrich Sieveking, from Investitionsbank in Berlin.



The Assembly was followed by two excellent presentations by the 2007 European triathlon champion Timo Bracht, and Oliver Engelmann of Citigroup Global Markets Deutschland, before the global President of ACI – The Financial Markets Association, Manfred Wiebogen, was invited to summarise current and recent events in the global financial markets.

After a day's hard work, delegates retired to the Hotel Maritim for an excellent Gala Dinner which provided rich opportunities for networking.



JORG ISSELMANN  
PAST PRESIDENT ACI GERMANY



GEORG-HEINRICH SIEVEKING  
NEW PRESIDENT ACI GERMANY

## FMAC SETS GENERAL ASSEMBLY DATE

The Financial Markets Association of Canada (FMAC) Annual General Assembly has been booked for Wednesday, November 5, 2008 (11:00am – 7:00pm) in Toronto.

Following on the tremendous success of last year's General Assembly, the Association says it is well on the way to developing an insightful business programme with high calibre keynote speakers and panellists from industry-leading organisations. Themes of the business sessions will include advances and future trends impacting currency and interest rate markets in areas such as electronic execution, liquidity access, market opportunities, hedge fund and real money manager impacts, retail trading, and more.

A trade fair showcasing the latest innovations services and technology will accompany the General Assembly and a series of breaks will be built in to allow focused networking.

Before FMAC swings into General Assembly mode, the Association has scheduled an ACI Dealing Certificate Workshop for September 2-4, 2008 and an Operations Certificate Workshop for September 8-10, 2008. Both workshops will be held in Toronto.

Further details of both events can be found on the FMAC website, [www.fmac.ca](http://www.fmac.ca).

## CENTRAL BANKERS CALL FOR MORE ACTION ON FX SETTLEMENT RISK

In a report published by the Committee on Payment and Settlement Systems (CPSS), central bankers have highlighted the need for further action to reduce foreign exchange settlement risk. The report, *Progress in reducing foreign exchange settlement risk*, features the results of a major survey of how over 100 banks and other institutions active in the FX market manage the risks that can arise when settling FX transactions. It contains specific recommendations for individual institutions, industry groups and central banks to reduce and control remaining exposures that may still present systemic risk.

“The financial services industry has made significant progress in dealing with foreign exchange settlement risk. However, more can and should be done to tackle remaining exposures and to guard against the risk of reversing the progress that has already been achieved,” says Timothy Geithner, President of the Federal Reserve Bank of New York and CPSS Chairman.

The CPSS says that foreign exchange settlement risk has long been a concern of the G10 governors and the CPSS due to the implications for systemic risk. In the light of the survey’s results, it says central banks will explore ways to work with banking supervisors and other regulators to ensure that financial institutions adequately control their foreign exchange settlement exposures on an ongoing basis.

The survey results show that a comprehensive long-term strategy endorsed by the G10 central banks in 1996 to reduce the systemic risk arising from the way foreign exchange transactions were settled has achieved significant success. In particular, 55% of FX obligations are now settled using CLS Bank, which settles FX trades on a “payment versus payment” basis. “This is an important accomplishment, but more needs to be done,” says Geithner.

Of the 45% of FX transactions still settled outside CLS, most use traditional mechanisms that are subject to foreign exchange settlement risk. Furthermore, half of all FX settlement exposures last overnight, not just intraday.

The report therefore recommends action by individual institutions, industry groups and central banks. Individual institutions need to ensure that the risk controls and incentives they have in place favour the use of risk-reducing FX settlement methods. Industry groups should continue to develop services for settling FX trades that will help to reduce remaining risks, particularly services for settling same day and certain next day trades. Central banks will work with supervisors to encourage continued progress by the financial industry.

Nout Wellink, President of the Dutch Central Bank and Chairman of the Basel Committee on Banking Supervision, says: “The Basel Committee welcomes this important report, and we have begun to discuss how best to work with the CPSS to encourage further progress.”

Geithner adds: “Recent market conditions emphasise how important it is that the settlement infrastructure supporting financial markets is robust and reliable, so that markets have the confidence to function normally even in adverse circumstances.”

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## FXC UNVEILS 2008 GUIDELINES

The New York Foreign Exchange Committee (FXC) has released the 2008 version of its *Guidelines for Foreign Exchange Trading Activities*. The FXC published its first version of the guidelines almost 30 years ago and as the industry has evolved, it has periodically updated the document.

In a letter to market participants, FXC Chair Richard Mahoney, says, “The past few years have witnessed dramatic changes in technology as well as market structure, composition and participation. The foreign exchange industry, global by nature, has also witnessed significant growth in volume according to official surveys. The events of the past 12 months underscore the risks described in the Guidelines.

“As these risks are re-examined and re-priced, the market will continue to evolve,” he continues. “It is against this background of continual change that the Committee reviewed and updated the guidelines. As both the foreign exchange market and its business models adapt, the Committee will continue to ensure the guidelines remain relevant standards for the industry.”

The latest release contains the following changes:

1. The guidelines have been reorganised: several topics have been consolidated and a new section on Control Functions has been added;
2. Language concerning prime brokerage (trading), dispute resolution (sales) and confirmation and netting (operations) has been added or updated;
3. Reputational and systemic risks have been added to the list of exposures in the foreign exchange business which are defined and described;
4. The importance of a sophisticated senior risk management and governance function at an enterprise level has been highlighted (management).

The most recent version of the guidelines can be found on the FXC's website: [www.newyorkfed.org/fxc](http://www.newyorkfed.org/fxc).

## *SIR DENNIS WEATHERSTONE RIP*

It is with sadness that ACI – The Financial Markets Association receives news that Sir Dennis Weatherstone, a long-standing member of Forex USA, has died aged 77. Sir Dennis joined the City of London branch of Guaranty Trust in 1946 at the age of 16 as a bookkeeper and was quickly promoted to the foreign exchange desk at the bank.



DENNIS WEATHERSTONE

A transfer to New York followed and he steadily rose through the ranks of what had become JP Morgan and was appointed Worldwide Head of Foreign Exchange and International Treasury in 1972. During 1977 he was promoted to Executive Vice President and Treasurer of the bank, and in 1979, again promoted, this time to Vice President and Director of JP Morgan.

In 1980, Sir Dennis became Chairman of the bank's Executive Committee and seven years later in 1987 he was appointed President. In 1990, he added the title Chief Executive Officer to his title, and it was in that year that he was knighted by Queen Elizabeth II.

Sir Dennis was an innovative thinker and keen member of Forex USA, and in 1990 helped JP Morgan achieve Federal Reserve System authority to trade and sell corporate stocks, making the bank the first bank-related securities firm with a full range of securities powers. A decade later, the repeal of the Glass-Steagall Act by US Congress, saw banking companies gain permission to provide any service related to advice, lending or securities.

After retiring from JP Morgan as Chairman and CEO in 1994, Sir Dennis served as an Independent Member of the Board of Banking Supervision of the Bank of England from 1995 to 2001.

ACI – The Financial Markets Association wishes to send its condolences to Sir Dennis' widow and their children.

# UPCOMING EVENTS - UPDATE



**34TH ICA CONGRESS**  
SHARM EL SHEIKH  
NOVEMBER 13-16 2008



**48TH ACI CONGRESS**  
CAPE TOWN  
MARCH 12-14 2009



## **ACI BRIEFING SEPTEMBER ISSUE - PREVIEW**

SOUTH AFRICA SPECIAL ON FINANCIAL MARKETS

ACI INSIDE - FOCUS ON THE  
NEW EXECUTIVE BOARD

ACI CERTIFICATION PROGRAMME - UPDATE

**AS WELL AS FUTURE EVENTS, MEMBERS CAN CHECK OUT PAST EVENTS, WITH  
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