

## ACI -The Financial Markets Association

Speech delivered by Manfred Wiebogen,  
CEE Treasury & International Treasury Relations, Volksbank Austria  
President ACI The Financial Markets Association,  
at 33<sup>rd</sup> Annual General Assembly of **ACI Serbia**,  
**Subotica**, September 20<sup>th</sup> 2008

Distinguished guests,  
Ladies and Gentlemen,

Being an Austrian – the CEE and SEE countries are my passion. It is a pleasure to me having again the chance being this weekend amongst you. One year ago I could address a couple of words to you at your 32<sup>nd</sup> AGA in Novi Sad:

My topics were

- world statistic on population => to associate with globalisation
- concerns in the Financial Markets – liquidity crisis
- brief overview on currency reserves held by Central Banks
- the Asian strength
- and some words on ACI The Financial Markets Association

⇒ [www.aciforex.org](http://www.aciforex.org) => past events => 14 Sep 2007 Serbia

I told you, that trader's behaviour changed in the markets over the last couple of years, in particular in the Money markets and liquidity management:

- Banks are lesser willing to lend each other money for periods (over 3 months) and to participate in a functioning Money market.
- Banks are lesser willing to keep markets up by quoting two way prices providing liquidity into the markets.

To sustain in the markets - either you have enough collateral in your portfolio or good friends in the markets to serve your liquidity and positions.

The week before, I joined together with Godfried on invitation of the French EU Presidency the *EUROFI 2008* in Nice, which acts as a two day's think tank to work on *EU priorities and proposals of the financial services industry for the ECOFIN Council*. High calibre politicians, lobbyists, Central Bankers and Bankers met and discussed the Sub-prime liquidity crisis.

In short - the clear message was

- the credit market turmoil of the past year (before Sept. 14<sup>th</sup> 2008) has cost banks more than \$ 510 billion worldwide
- McCreevy, EU financial services commissioner plans to issue a policy paper on bailouts next year (*'early intervention tools for dealing with ailing banks'*)
- 'it is high time to revamp crisis-management plans' was urged by Edmond Alphandery, Chairman of CNP Assurances
- Capital and accounting rules must be revised soon
- The 27-nation EU is implementing a 'road map' to establish lines of authority in financial-industry-crisis
- Mrs. Pervenche Beres, chairwoman of the European Parliament's Economic and Monetary Affairs Committee urged, there is 'still a lot to do'

During the meetings in Nice – it was many times expressed concern that there is more bad news to come! And the actual Sub-prime crisis became topped the following weekend, as the story on US-investment banks followed by insurance associations started!

So the future keywords for our industry will be

- transparency and again transparency
- governance – ethical and moral standards
- a need for strong ethical leadership
- no 'black boxes' – valuation need to be clear (as big banks failed here)
- rating agencies under watch – *'we trust them too much'* (a need to change models and competition)
- over time the banking system needs to raise their buffer (more capital)
- closer cooperation between industry and regulators / CBs

Some personal remarks:

In the previous years many banks (the managers of the banks) only were after the quick money. Without any doubt there is some justification on shareholder value. In a recent article in our ACI Briefing a claimed the pressure by shareholders which quiet often forces management and traders into a spiral (e.g. +20% budget increase by every year). Business not only became innovative by leveraging our origin cash business via sophisticated derivatives but on the other hand the rating of such (credit) risk bundles became more and more unreliable or at the end impossible to follow.

Investment banking was fashionable again (Do you still remember how it suffered under the tech bubble in 5/2000 or after 9/11?). But as usual in such times the core business (here MM/Liquidity) looses on value and recognition (even being an important part of a banks balancing) – but it is claimed as too less and too risky contribution to banks earnings. Who cares that losses arise anywhere else?

What is the impact of this development? Well, we all have experienced this in the recent months/years

- liquidity dried up / has gone
- mistrust amongst banks
- only o/n or very short term lending
- only on securitized basis

**Liquidity management and value of liquidity risk is the focus of today and of the future.**

Fact is Sub-Prime changed the financial world – the financial markets never will be the same as they were in the past. Too much mistrust is amongst the banks and the question “Who will be next” turns around. That is reality.

One of the main questions at Nice’s EUROFI meeting was “*How to restore confidence in the markets*” and may be there was a shimmering light far away. But since last weekend this light was definitely turned out. Mistrust even worsened!

What are good news?

- Foreign Exchange Reserves are up + 32,4% since September 2007
- Foreign Exchange is the most powerful market in the world (more than 6 times larger than trading in US Treasury bonds and 30 times greater than trading on the New York Stock Exchange)
- Asia is better prepared to the crisis (makes 56% of world population)
  - ⇒ out of their experiences in 1997/1998
  - ⇒ holding 60-70% of the world’s currency reserves
  - ⇒ having a high savings ratio
  - ⇒ growth in economy but also diversified systems and economies

The Asian Development Bank estimates that over the next 10 years in the region of Asia 750 mio new Jobs will be created!!!

By the way, did you know

- Singapore has the most Millionaires by population?
- followed by Hong Kong?
- but China has the most Millionaires in the world?

Anyway, education will be your key for your success and the success for your employees or colleagues. So please take a look to our web page as we do offer accreditation via

- ACI Dealing Certificate
- ACI Operations Certificate
- ACI Diploma

ACI’s Executive Board will hold its next Council meeting beginning November in Singapore. Besides regular talks on budget, education and many other issues ACI will use this meeting as **ACI Think Tank** discussing the actual market situation and seeking for ways how ACI is able to influence together with authorities the future of our financial markets.

Dear Sonja, dear EB of ACI Serbia, thank your for inviting me to address a few words.

Dear members and delegates thank you for your kind attention

\*\*\*

ACI The Financial Markets Association  
Manfred Wiebogen, President ACI - c/o VOLKSBANK Austria