

## ACI -The Financial Markets Association

Speech delivered by Manfred Wiebogen,  
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at 6<sup>th</sup> Banking Meeting Banca IFIS – ATIC FOREX,  
**Venice**, September 26<sup>th</sup> 2008

Distinguished guests,  
Ladies and Gentlemen,

Venice – what a synonym in these days between history and persistency versus our Financial Markets.

As Venice understood it for centuries to persist many attacks of a wide variety I do hope that the current Financial crisis will get wrestled down by time and will attract again investors and other market participants.

Nevertheless, to stay realistic and after what we have seen, Sub-Prime changed the financial world – we can say the financial markets never will be the same as they were in the past.

I'm so proud to see the ambitious work between Banca IFIS and ATIC-FOREX having initiated this 6<sup>th</sup> Banking Meeting to foster and to improve relations between operators in the Financial and Banking Relation fields and to create links between Italian institutes and main institutes in the Euroland area.

Whenever I'm invited to address some words on behalf of ACI The Financial Markets Association I am highlighting the importance of networking within our community. And even, having attended recently the EUROFI meeting in Nizza and die SIBOS meeting in Vienna I can tell you there is now more need for personal relations and relationship management than may be ever before.

In particular, over the past years e-trading tools killed a lot of personal relationship which now needs to become reinvented.

My key words at my inauguration speech last year in Montreal were  
KYM – know your members  
KYC – know your customers

... and this is – beside others of course – absolutely ACI The Financial Markets Association stands for.

Let me comment a little on the market situation.

Unfortunately, trader's behaviour changed in the markets over the past 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 – you either will need enough collateral in your portfolio or good friends in the markets to serve your liquidity and position needs.

The EUROFI 2008 meeting 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 sent a clear message to the financial markets:

- 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
- Ms. Pervenche Berès, 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!

Now, 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 (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 internal ACI Briefing I claimed the pressure by shareholders which quiet often forces management and traders into a spiral (e.g. +20% increase of budget 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 and MM and Liquidity trading (which always was/is keeping up the markets working) were claimed as too less but too risky contribution to banks earnings. But – who cares now from where the losses are arising?

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

- liquidity dried up / is gone
- mistrust amongst banks
- only O/N or very short term lending
- only on securitized basis

Short selling
- commodities
- equities

So lessons learned for now: **Liquidity management and value of liquidity risk is the focus of today and of the future.** But as we have seen – too late for some financial institutions.

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**ACI – The Financial Markets Association** represents the interests of their members, working within a financial institution or a financial services provider. The members are in a large part engaged within the financial trading or sales environment in the global financial markets.

**ACI is a non-commercial** organisation and counts some 13,000 international members from more than 60 countries which are affiliated to ACI International. The international organisation was founded in 1955 as the previous 'FOREX-Club A.C.I.'.

**ACI is a standard** of the International Financial Markets in terms of

- maintaining the *professional level of competence* and the ethical standards of loyalty,
- committing to maintain the *highest possible standards* in their profession by setting an example of propriety and best ethical behaviour in business,
- by market *liquidity provided* by their traders
- by giving advice and offer *arbitration services* on professional disagreements
- by offering a *third party certification* (ACI Dealing Certificate, ACI Operations Certificate and the ACI Diploma)
- and by personal and company *networking*.

ACI's Executive Board will hold its next Council meeting beginning November in Singapore. Besides regular talks of the association this meeting shall use the 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 Gabriele - dear Aldo thank you for inviting me to address a few words.  
Dear guests and delegates - thank you for your kind attention.

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