

Paris / Vienna, January 25th 2010

PRESS RELEASE


New Banking regulation – Proprietary-trading

It is with great interest that ACI The Financial Markets Association (ACI) follows the ongoing discussions and statements made by some senior international officials on their call for additional banking regulations e.g. towards 'Prop-Trading' (Proprietary Trading).

ACI represents a huge part the FX (Foreign Exchange) and Money Market traders' from the financial industry (including Derivatives) and raises concerns on the mainly shallow discussions held so far. The actual financial crisis is a huge puzzle of occurrences which need to be carefully examined. Of course there will be some envisaged advantages from new regulations but generic and political motivated statements are less helpful in these days. The diversity of products, the variety of different investment strategies but also the different backgrounds/demands within the financial markets became too big for simply unifying all markets.

Precisely the traders of ACI The Financial Markets Association massively helped at the peak of the crisis to lead their banks through and to enable the balancing of liquidity in the most difficult times. This just was possible because of our international trader's network, because of trading positions for own account (prop-trading), but also because of our international education/certification programme as well as of our 'Model Code' – the codex of behaviour and closing of business/tickets in the OTC ('over-the-counter') markets.

Prop-Trading and arbitrage within authorised limits (mainly regulated by the local banking supervision) remain imperative for well functioning markets. Additional and unqualified regulations on prop-trading risk again the erosion of liquidity within the financial markets only to become solved again by massive funding of liquidity via Central Banks – this cannot become again the goal of new regulatory innovations. 15/09 (the start of the Lehman crisis) eroded the trust in the financial markets and led to a massive reduction of interbank limits (which caused enormous difficulties in the shifting of liquidity between the international markets/operating banks). This automatically caused a reduction in trading. The current discussions put all banks under one umbrella – with some negative sentiments towards all operating banks. ACI stresses the importance to differentiate between quasi investment banks and ordinary business banks and the enormous importance of Treasury/Liquidity departments and their necessity in any future configuration.



The global financial markets changed dramatically during the past ten years. The enormous boom in commodities (increase of exploration, increased revenues) etc. increased the money flow and with that demand for investments. Volumes in different currencies held by Sovereign Wealth Funds, but also other asset classes like Pension funds, the Currency Reserves by Central Banks etc. have risen dramatically and are demanding for a huge variety of investment policies. These challenges needed and still needs to become mastered by the (mainly) banking industry. Prop-Trading helps to maintain the markets liquid – if this is not the case any more, politicians will also have to change the whole social and economic system.

FX and Money Markets did not induce the financial crisis. Contrary, both product groups helped considerably in managing the crisis and were crucial in helping their bank to survive. A cut in prop-trading or even the implementation of a financial transaction tax on these products would have massive impacts on the overall-liquidity within the financial markets. All considerations towards such trends have to be lead with utmost reservation. Such discussions will need highest degree of data accuracy, will demand discipline and neutrality in talks; but also reservation as well specific quality and ethical public reporting (by press and other media).

The global economy still will face difficult times ahead – starting from now the best heads have to accept the challenges of the enormously grown economies (industrial and financial ones) to adjust them, analysing the needs and adapting afterwards new regulations.

ACI is the leading, global association of wholesales financial market professionals and counts some 13,000 international members – www.aciforex.org

Members of ACI are in a large part engaged within the financial trading or sales environment in the global financial markets representing the Foreign Exchange, Interest Rate Products and other Securities, Banknotes & Bullions, Precious metals and Commodities and their various kinds of Derivatives. ACI is a leading global association of wholesales financial market professionals. ACI counts some 13,000 international members in more than 60 countries.
