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"SUBPRIME" KRIZA PROMENILA FINANSIJSKI SVET

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SUBPRIME CRISIS CHANGED THE FINANCIAL WORLD

*Speech delivered by Manfred Wiebogen,
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Pre godinu dana, imao sam priliku da vam se obratim sa nekoliko reči na vašoj 32. Godišnjoj skupštini u Novom Sadu.

Moje teme bile su:

- svetska statistika o stanovništvu - u vezi sa globalizacijom
- problemi na finansijskim tržištima - kriza likvidnosti
- kratak pregled deviznih rezervi koje drže Centralne banke
- snaga Azije
- i nekoliko reči o ACI - Asocijaciji finansijskih tržišta

Tada sam vam rekao da se ponašanje trejdera promenilo na tržištima tokom poslednje dve godine, a naročito na tržištima novca i u upravljanju likvidnošću.

- Banke su manje voljne da uzajamno pozajmljuju novac za duže periode (preko 3 meseca), kao i da učestvuju u funkcionisanju tržišta novca.
- Banke su manje voljne da podržavaju tržišta putem kotacija dvosmernih cena kojima se obezbeđuje likvidnost na tržištima.

Da biste se održali na tržištu - morate da imate dovoljno kolaterala u svom portfoliju, ili dobre prijatelje na tržištima da biste opsluživali svoju likvidnost i poziciju.

Pre nedelju dana, odazvao sam se, zajedno sa Godfridom, pozivu iz Francuske koja predsedava EU, da učestvujem na skupu EUROFI 2008 u Nici, koji ima svojstvo foruma za dvodnevnu razmenu mišljenja najboljih stručnjaka o EU prioritetima i predlozima industrije finansijskih usluga za ECOFIN Savet. Političari visokog kalibra, lobisti, centralni bankari i bankari sastali su se i razmatrili krizu likvidnosti nastalu usled hipotekarnih "subprime" kredita.

Ukratko - jasna poruka je bila sledeća:

- turbulencija na kreditnom tržištu tokom prošle godine (pre 14. septembra 2008.) koštala je banke preko \$510 milijardi u celom svetu;
- MekKri (McCreevy), Komesar EU za sektor finansijskih usluga, planira da objavi dokument o politici iskupa - spasavanja naredne godine (*"instrumenti za rano intervenisanje da bi se pomoglo bankama koje slabe"*);
- "Došao je poslednji trenutak da ponovno

oživimo planove za upravljanje kriznim situacijama", insistirao je Edmond Alphandery, Predsednik CNP Assurances;

- Pravila koja se odnose na kapital i računovodstvo takođe se uskoro moraju revidirati;
- Evropska Unija, sastavljena od 27 zemalja, sprovodi "mapu puta" da bi se utvrdile linije ovlašćenja u slučaju kriza u industriji finansijskih usluga;
- Mrs. Pervenche Beres, predsednica parlamentarnog odbora za ekonomska i monetarna pitanja Evropskog Parlamenta, urgirala je da se shvati "da još uvek ostaje mnogo toga što mora biti urađeno".

Tokom sastanka u Nici - mnogo je puta bila izražena zabrinutost u vezi toga da će verovatno stizati još više loših vesti! A aktuelna "subprime" kriza bila je potisnuta u drugi plan već sledećeg vikenda, kada je odjeknula priča o investicionim bankama u Sjedinjenim Državama, da bi odmah potom počela priča o osiguravajućim društvima!

Znači, ključne reči za našu industriju u budućnosti biće sledeće:

- transparentnost, i ponovo, transparentnost;
 - upravljanje - na osnovu etičkih i moralnih standarda;
 - potreba za jakim, etičkim liderstvom;
 - nema više "crnih kutija" - valuacija i ocenjivanje moraju biti jasni (pošto su po tom pitanju velike banke pale na ispitu);
 - rejting agencije moraju biti pod nadzorom - *"imamo suviše veliko poverenje u njih"* (potrebno je promeniti modele i konkurenciju);
 - tokom vremena, bankarski sistem treba da podigne nivo svojih amortizera (više kapitala);
 - uska saradnja da se uspostavi između industrije i regulatora / Centralnih banaka.
- Neka lična zapažanja:

Tokom proteklih godina, mnoge banke (menadžeri banaka) stremili su samo ka brzom pravljenju novca. Nema sumnje da tu postoje neka opravdanja u pogledu akcionarske vrednosti. U jednom nedavnom članku našeg biltena ACI Briefing, rekao sam da pritisci akcionara veoma često primoravaju menadžment i trejdere da ulaze u spiralu (na primer, +20% povećanje budžeta i to svake

One year ago I could address a couple of words to you at your 32nd 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

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. 14th 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



A session of the ACI Serbia Assembly held in Subotica City Hall

godine). Biznis je postao ne samo inovativan dajući leveridž našem prvobitnom keš biznisu putem sofisticiranih derivata, ali je sa druge strane, rejting takvih paketa (kreditnih) rizika postajao sve nepouzdaniji, ili u krajnjem ishodu, nemoguć za praćenje.

Investiciono bankarstvo ponovo je ušlo u modu (Da li se još sećate kakvu je štetu imalo pod tehno-mehurom maja meseca 2000. godine, ili posle 11. septembra?). Ali kao što je uobičajeno u takvim vremenima, jezgro biznisa (ovde su to tržišta novca/likvidnost) gube na vrednosti i priznanju (iako su jedan važan deo bilansiranja banaka) - ali se tvrdi da je to suviše mala i suviše rizična kontribucija za prihod banaka. Koga je briga što gubici nastaju negde drugde!

Kakav je uticaj ovog razvoja? Pa dobro, svi smo mi to doživeli poslednjih meseci/godina:

- likvidnost se isušila/ili je nestala;
- nepoverenje među bankama;
- pozajmljivanje samo preko noći ili na veoma kratak rok;
- pozajmljivanje samo na bazi obezbeđenja.

Upravljanje likvidnošću i vrednost rizika likvidnosti u fokusu je danas i u budućnosti

Činjenica jeste da je "subprime" promenio finansijski svet - finansijska tržišta nikada više neće biti ista kao što su do sada bila. Suviše je mnogo nepoverenja među bankama i postavlja se samo pitanje "Ko će biti sledeći". To je stvarnost.

Jedno od glavnih pitanja na sastanku EUROFI u Nici bilo je "*Kako obnoviti poverenje na tržištima*", i možda se nazirala neka mala svetlost, ali veoma daleko. Ali od poslednjeg vikenda i ta se mala svetlost definitivno ugasila. Nepoverenje se čak i pogoršalo!

Koje su tu dobre vesti?

- Devizne rezerve su porasle +32,4% od septembra 2007. godine;
- Tržište deviza najmoćnije je tržište na svetu (više od 6 puta veće od trgovine u obveznicama Trezora SAD i 30 puta veće od trgovine na Njujorškoj berzi);
- Azija je bolje pripremljena za krizu (ona ima 56% od ukupnog svetskog stanovništva):
 - izašli iz problema 1997/1998;

- drže 60-70% svetskih deviznih rezervi;
- imaju visok koeficijent štednje;
- veliki rast privrede, ali takođe i diversifikovani sistemi i privreda.

Azijska banka za razvoj (Asian Development Bank) procenjuje da će tokom narednih 10 godina u regionu Azije biti stvoreno 750 miliona novih radnih mesta!!!

Usput, da li znate:

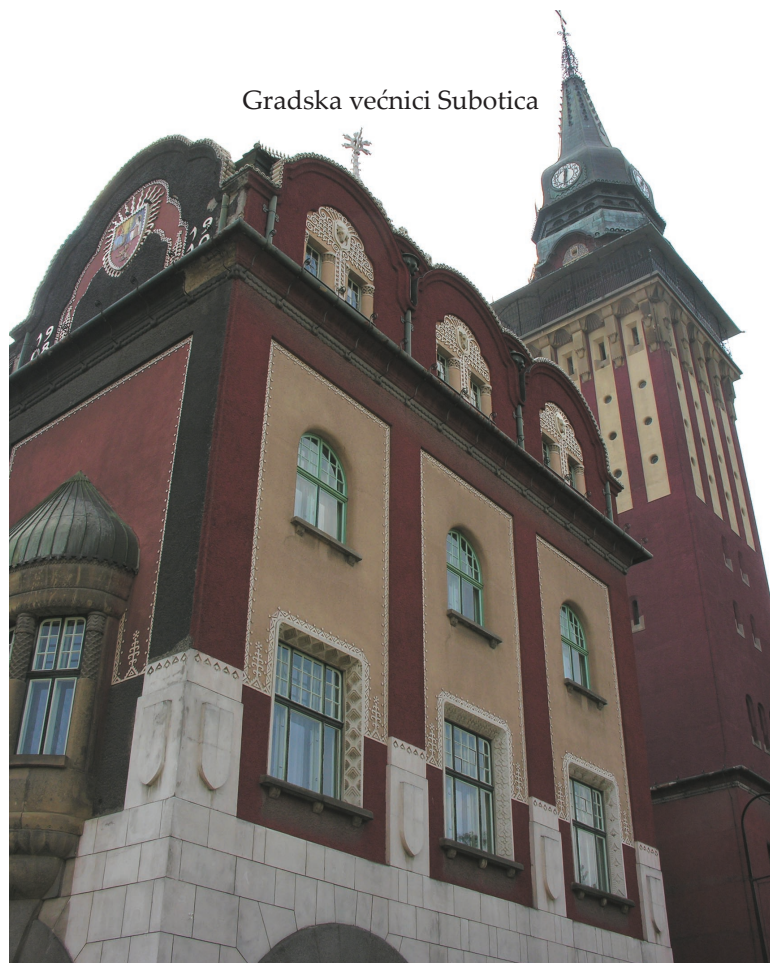
- Singapur ima najveći broj milionera po broju stanovnika?
- da ga prati Hong Kong?
- ali da Kina ima najveći broj milionera u svetu?

U svakom slučaju, edukacija će biti ključ vašeg uspeha, kao i uspeha vaših zaposlenih ili kolega. Pa bih vas molio da pogledate našu veb stranicu, jer nudimo akreditaciju putem:

- ACI Dealing Certificate
- ACI Operations Certificate
- ACI Diploma

Izvršni odbor ACI održaće svoj sledeći sastanak Saveta početkom novembra meseca u Singapuru. Pored redovnih razmatranja o budžetu, edukaciji i mnogim drugim pitanjima, ACI će iskoristiti ovaj sastanak za diskusije **ACI Think Tank** o aktuelnoj situaciji na tržištu i u traženju puteva posredstvom kojih bi ACI mogao da utiče, zajedno sa zvaničnim organima, na budućnost naših finansijskih tržišta.

Gradska većnici Subotica



- 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

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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.