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Foreign Exchange 2009

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Hedging The Risk Of A Dollar Collapse

Conspiracy theories abound about the so-called demise of the dollar. When all is said and done, however, the dollar no doubt will remain widely held by central banks and citizens of the world, and currency values will continue to do what they always have done since the onset of floating exchange rates: They will fluctuate.

The foreign exchange market, the world's largest financial market, experienced some very big fluctuations in exchange rates following Lehman Brothers' bankruptcy in September 2008. While the FX market has settled down considerably since then, the dollar is being punished for no longer being needed as a safe haven.

While reports of the dollar's death are exaggerated, it is necessary for corporate finance officials to learn to live with currency exposure. Once the Federal Reserve begins raising interest rates, the dollar could rebound quickly. The sometimes sudden and often unpredictable moves in the value of the dollar, the euro and the yen, as well as a host of major emerging market currencies, can create a minefield for globally active companies and investors.

Accurately measuring and understanding currency risk is essential for managing it properly. Not every position needs to be hedged, particularly if a CFO has a strongly held view on the market. In this supplement, *Global Finance* examines the tendency of the FX market to be subject to Murphy's Law: What can go wrong will go wrong, and at the worst possible time. There are ways, however, to avoid or limit the pain of guessing incorrectly.

We also take a look at FX swaps, the most popular form of trading currencies. The use of swap markets by international banks to overcome a dollar-funding shortage at the height of the financial crisis caused deviations in benchmark interest rates that impaired global liquidity. Now these instruments are receiving special treatment as legislators draw up new laws for avoiding future crises.

Meanwhile, retail FX trading is continuing to expand rapidly. Spread betting, similar to betting on sporting events, has become popular in the United Kingdom and parts of Europe. One key attraction is that spread-betting gains are not taxed as capital gains.

Finally, as the FX markets continue to evolve, *Global Finance* profiles some of the most important people in the industry in a "Who's Who" of foreign exchange.

With the dollar printing presses working overtime and US deficit spending the order of the day, it is little wonder that some market participants worry that the supply of greenbacks will overwhelm demand. So far, however, the dollar's day of reckoning has not arrived.

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Murphy's Law Rules The FX Market

Accurately predicting currency movements can make the difference between profit and loss for a multinational. Fortunately, help is at hand.
By Gordon Platt

Finance ministers and central bankers have a habit of substituting "volatility" for "levels" when it comes to what they perceive as out-of-line exchange rates. The Group of Seven industrialized nations, for example, warned in Istanbul in October, "Excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability."

Actually, foreign exchange market volatility peaked late last year in the wake of the collapse of Lehman Brothers. The financial crisis temporarily reduced liquidity in the $3.2 trillion a day foreign exchange market, the world's biggest market. However, FX volatility has been on a steadily declining trend since those dramatic days of last fall, when major currencies had some of their biggest single-day moves ever.

The big currency fluctuations may be behind us, but the FX market has a way of surprising the best of pundits. The currency market is ruled by Murphy's Law: If something can go wrong, it will go wrong, and at the worst possible time. Just when banks are making a pretty penny by selling volatility options, betting against big moves, something happens. Sudden moves in the market are what the growing ranks of online FX traders live for and what corporate financial officers fear.

CFOs are increasingly turning to hedging to protect foreign-sourced earnings from potential currency-related disasters. At the very least they want to know what their FX exposures are, even if no sharks are apparent at the surface of the currently calm waters.

The benchmark three-month implied volatility embedded in option pricing for the euro is now around 11% and has been trending lower for the past six months, says Marc Chandler, global head of currency strategy at Brown Brothers Harriman, based in New York. "Some European officials have commented recently about the undesirability of excess volatility in the currency market," he notes. "If these concerns can be taken at face value, instead of some signal protesting the strength of the euro, then it behooves investors to take a look at currency volatility, even if one does not have option exposure," he says. A review of the available data indicates that current implied volatility is benign and is not really a major problem, he points out.

In fact, one of the most lucrative trades in the FX market this year has been the "short volatility" strategy, whereby investors sell options that protect buyers against currency movements. This strategy, known as a straddle, involves the simultaneous purchase of a call option and sale of a put option. A call option is the right to buy a currency at a certain price, and a put option is the right to sell.

For whatever reason, sentiment toward the dollar is clearly negative, Chandler says. Based on the current spot market price and implied volatility in the options market, the odds are almost one in eight that the euro will rise to $1.60 by the end of 2009, and there is a more than one in four chance that this level will be seen by the end of the first quarter of 2010. "The extreme dollar bearishness by some forecasters appears to be based on a

With central banks diversifying their reserve holdings, the bearish story on the dollar is compelling

The dump-the-dollar trade is getting overcrowded, which could be an indication of a major dollar bottom

double-dip recession in the US and an earlier recovery in the eurozone and an earlier rate hike," Chandler says. "Both of these scenarios seem exceptionally unlikely to materialize in the next three to six months," he says.

Dennis Gartman, editor and publisher of the Virginia-based Gartman Letter advisory service, says, "Right now, everyone and their brother is dollar bearish." With all of the dollars being printed, and with central banks diversifying their reserve holdings, the bearish story on the dollar is extraordinarily compelling, he says. But the dump-the-dollar trade is getting overcrowded, which could be an indication of a major dollar bottom, he adds.

Gartman compares the foreign exchange market to a boat. When all of the passengers move to one side, the boat begins to list heavily to that side, he says. It is only when some people fall overboard that the boat is able to regain its balance.

Other analysts are worried that since the global economic recovery got under way at the beginning of the second quarter of 2009, the dollar has been among the weakest of the major currencies and that this trend could continue. The latest data from the International Monetary Fund, when adjusted for currency valuations, show that central banks are increasingly reluctant to accumulate dollars, says Steven Englander, chief foreign exchange strategist for the Americas at Barclays Capital, based in New York. "Emerging market central banks appear much more aggressive than in the past in shifting out of the dollar into other Group of 10 currencies," he says. "This makes it likely that dollar pressures will mount as, increasingly, the [dollar's] buyers of last resort are reticent buyers," he adds.

The IMF's Composition of Official Foreign Exchange Reserves (Cofer) data for the second quarter of 2009 suggest not only that central banks are talking about diversifying their reserve holdings away from the dollar, but that they are also doing something about it, Englander says. The second quarter of this year was the only time that central banks have accumulated more than $100 billion of reserves in a quarter, and the dollar's share of this accumulation has been less than 40%, he says. "This is also the only time the euro has accounted for more than 50% of the accumulation when central banks in aggregate have accumulated more than $80 billion," he adds.

In the fourth quarter of 2008 and the first quarter of 2009, when central banks were drawing down their reserves, the drop in aggregate reserves was almost all in dollars, Englander says. The rebuilding of reserves since then has been primarily in currencies other than the dollar. "No one wants to be caught holding too many dollars, and this rising reluctance is increasing pressure on the dollar," he says.

Mark Carney, governor of the Bank of Canada, warned in Istanbul in October that corporations should become accustomed to higher levels of FX volatility. He also said a strong Canadian dollar could derail the country's economic recovery.

Understanding FX Risk

Accurately measuring and understanding FX exposure can improve the ability of corporate finance officials to manage currency volatility as an enterprise risk, says Wolfgang Koester, CEO of Fireapps. The Scottsdale, Arizona-based company developed the world's first on-demand software to help corporations optimize FX processes.

In May 2009 Fireapps introduced a new version of its software, known as Enterprise, which helps multinational companies identify and resolve data-integrity issues with existing enterprise resource planning (ERP) systems.

"Most companies are unaware of the issues they have with their FX data," Koester says. "But we have yet to find one without significant issues gathering, analyzing or making effective decisions about their foreign exchange exposures." Those issues can make the difference between being profitable or not in a given quarter, he says.

Fireapps enables treasurers to aggregate FX transaction data from different sources and various accounting systems and identify inconsistencies. Once the data is validated, an overall exposure can be calculated. Companies then can use a combination of forward contracts and options to achieve the desired degree of certainty in managing their FX risks. ■

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Spreading The Word

Spread betting is becoming an increasingly popular form of FX trading. Its proponents are hoping it will grow as a risk management tool, too.

By Anita Hawser

Its initial popularity—and notoriety—may have been among sports gamblers, but spread betting is rapidly developing into a popular alternative investment medium. Mention the phrase "spread betting" to some FX trading providers, though, and you may get a frosty response. They prefer to talk about CFDs, or contracts for difference. "Spread betting implies there is a link to gambling," says Rob Woolfe, head of FX at UK spread-betting firm ETX Capital, but he adds that the typical spread better has more of an informed opinion than just flipping a coin.

Spread bets are typically a bet on whether the price quoted for a particular financial product is going to go up or down. The amount of money that is made or lost is based on the spread—or the difference between the buy and sell prices. While the name and the history of spread betting carry the whiff of gloomy smoke-filled rooms and the quiet shuffle of stacks of used bills changing hands, Woolfe says spread-betting firms provide a "professional vehicle" for all kinds of investors to trade—and the activity is regulated by the Financial Services Authority (FSA). Simon Denham, managing director of Capital Spreads, the spread-betting unit of London Capital Group, points out that the average client on its platform typically bets £1 or £3 and in a year may spend only £1,800 ($2,850)—hardly the behavior of a prolific gambler.

Denham and others maintain that there is relatively little difference between spread betting and CFDs, which is what City-types are more likely to trade than an amateur sitting at home having a punt on whether the price of a stock or a currency pair is likely to move up or down. "CFDs use exactly the same trading systems as spread bets and the same outputs," says Brian Griffin, managing director of spread betting and CFDs at forex broker FXCM. "They are just presented differently to the client at the front end." Woolfe says the main difference is that profits earned on CFDs are not tax-free, which is

Denham: By putting more restrictions on the trade, we can give a better price

Woolfe: The typical spread better has more of an informed opinion than just flipping a coin

one of the main attractions of spread betting in the United Kingdom, where it is particularly popular.

UK spread-betting firms are secretive about their daily transaction volumes, but suffice to say, given its various advantages, including the tax breaks, spread betting is becoming increasingly popular among both professional and amateur traders. FX is the second most popular spread-betting product after stock market indexes. (Virtually any product from sporting events to commodities, stock market indexes and FX can form the basis of a spread bet.)

FX spread betting accounts for more than 50% of ETX Capital's web business. And in the current economic climate, where stocks and shares have performed poorly, "FX is just not going to go away," says Denham of Capital Spreads, adding that business on its spread-betting platform increased by 20% to 25% in the first six months of this year. In the UK the most heavily traded spread-betting FX products are euro/dollar and "cable," or sterling/dollar.

"The typical profile of those that spread bet is a male, aged between 30 and 45 years," says Woolfe, but he adds that his company's client list includes chief executives of large companies trading their personal portfolios and fund managers who run multinational portfolios. The number of trades on ETX Capital's spread-betting platform is increasing month on month, but as people have become more risk averse, the average deal size has decreased.

The proliferation of web-based technologies has made it easier for firms to roll out online spread-betting platforms so punters can click and trade instantly. But, as Woolfe points out, spread betting has been around for more than 30 years. The Internet turned spread betting into a truly retail product, as before 2000 spread betting was mostly a City product, says Denham. Brokers preferred to keep it that way, he adds, not wanting to have to deal with amateur traders on the other end of the telephone. However, a large majority of ETX Capital's business is now conducted online instead of on the telephone. Spread betting has also become more popular as investors have become disillusioned with traditional stockbrokers, says Griffin of FXCM. "People have money they wish to speculate with, and with spread betting it doesn't have to be a large amount."

The Route To Respectability

Some believe spread betting needs to shed its gambling stigma in order to broaden its mass-market appeal by educating people about how it can be used as a serious investment tool within a balanced portfolio. "It is an amazing way of building a portfolio," says Woolfe. "You only need to put down a small percentage of the overall contract value to fund your overall position." The margin or deposit an investor needs to fund a spread bet can be as small as 2%, for example, if it is a particularly liquid currency pair such as euro/dollar. Woolfe says it can also be a useful hedging tool for an investor wanting to protect an investment portfolio against any future movements.

That strength is also a potential weakness. Spread betting carries a high level of risk, and if an investor's long or short bet on a particular currency pair, for example, goes against them, they can quickly end up in a deep hole. "The biggest problem is having exposure, which you need to square," says Woolfe. "There is the potential for people with a large risk appetite to gear up very high [up to 500:1], but typically we would see deals in the region of 3:1 to 5:1 leverage."

ETX Capital typically runs two trading books: one for clients that deal in large trades and one for smaller traders. ETX hedges all the bets in the large trade pool in the market so there is no exposure risk on the spread-betting company. "If the client wins [the bet], the spread-betting company also wins," says Woolfe. "If they lose, the spread-betting firm also loses, but just a little less." In the second trading book, or "B book," ETX Capital assumes a certain level of risk, which is monitored by a risk committee to ensure it remains within established risk parameters. Most of ETX Capital's deals go through the B book, and the exposure is executed in the underlying market.

Other firms take a different approach. FXCM hedges every trade in the underlying market, whereas Griffin says other providers that have not hedged all their positions can profit from a client if they lose a bet. At Capital Spreads all client funds are segregated, and Denham says it never makes margin calls. It is also deposit only (it does not give credit), and clients' positions are stop protected. "Some people would say that's restrictive of your trading, but by putting more restrictions on the trade, we are able to give a better price and better margins than our competitors," Denham explains.

There are significant differences between spread-betting firms on prices and margin as well as daily rolling charges for positions that are held overnight. FXCM also tries to differentiate itself by saying it is not a "market maker." So every time a client trades on FXCM, the trade is automatically piped to one of 10 banks.

While there are a plethora of online spread-betting platforms, Denham says that they are mostly "white labels" and that there are only eight true spread-betting firms in the world, which he narrows down to four serious providers: IG Index, City Index, CMC and Capital Spreads. FXCM is the newest entrant in the UK, and there could be more as spread betting goes mainstream.

"As we look forward and emerge from the crisis, more people will take up spread betting," predicts Griffin of FXCM. "They may use spread betting to hedge exposures they already have in the market place." It looks like spread betting may be about to finally shed its gambling stigma. ■

"As we look forward and emerge from the crisis, more people will take up spread betting"

"They may use spread betting to hedge exposures they already have in the market place" — *Brian Griffin at foreign exchange broker FXCM*

FX Swaps Get Kid-Glove Treatment

Foreign exchange swaps appear to be about to emerge unscathed from the flurry of new regulation prompted by the recent financial turmoil. By Gordon Platt

Chair of the House Financial Services Committee, Barney Frank, released a revised bill that could see companies escape new OTC derivatives regulations

Foreign exchange swaps, which have long been traded in the over-the-counter market, have become extremely popular with interbank dealers, as well as with traders and corporations. In fact, FX swaps are considered so crucial to the smooth functioning of the financial markets that they have been given a special exemption from a proposed US regulatory crackdown on OTC derivatives.

Not to be confused with cross-currency swaps, FX swaps have two legs to stand on: a spot trade, or purchase for immediate delivery, and a forward transaction. These contracts for the simultaneous purchase and sale of identical amounts of currency with the same counterparty are the most popular form of trading in the FX market. One currency is swapped for another for a period of time and then swapped back. The cost is determined by the interest rate differential between the two currencies.

FX swaps are widely used for managing liquidity and shifting delivery dates, as well as for hedging, speculating, taking positions on interest rates and other purposes, according to the Federal Reserve Bank of New York. These swaps also provide a way of using the FX market as a funding instrument and an alternative to borrowing and lending in offshore markets. They are the main instruments used for limiting currency risk in foreign investing through the use of currency-overlay programs used for selectively placing and removing hedges.

Of the $3.2 trillion daily average turnover in the foreign exchange market in April 2007, more than $1.7 trillion, or 53%, comprised FX swaps, according to the most recent triennial survey compiled from central bank data by the Basel-based Bank for International Settlements. The minimum size of an FX swap is usually more than $1 million, and most interbank swap trades are considerably larger than that.

Crisis Roils the Swaps Market

While the FX market continued to function throughout the financial crisis, BIS researchers Naohiko Baba and Frank Packer have documented a spillover of the turmoil in the money markets to FX swap and cross-currency swap markets. They found that the

use of swap markets by non-US financial institutions to overcome dollar-funding shortages caused interest rate deviations that impaired liquidity in the markets.

Global funding pressures were evident in the virtual shutdown of the FX swap market after the bankruptcy of Lehman Brothers on September 15, 2008, and the Federal Reserve's announcement of a bailout package for AIG the next day, Baba and Packer wrote in a BIS working paper published in July 2009. "Dealers reported that bid-ask spreads on FX swaps increased to as much as 10 times the levels that had prevailed before August 2007," they wrote.

European financial institutions, which were struggling to obtain funding in the unsecured cash markets, turned to the effectively collateralized FX swap market as a primary channel for obtaining dollar funding. To address the problem, the Fed authorized a more than twofold increase in swap lines to the European Central Bank and the Swiss National Bank. At the same time, new dollar swap lines were opened with the central banks of Japan, England and Canada. As the financial crisis continued, additional swap lines were later opened with Australia, Sweden, Denmark, Norway and New Zealand, and existing lines were further expanded. Many emerging market economies were also brought into the swap lines, including Brazil, Mexico, South Korea and Singapore.

Meanwhile, credit default swaps and other derivatives unrelated to foreign exchange have been widely blamed for contributing to the financial crisis. On August 11 this year, the US Treasury Department released a 115-page draft of the Over-the-Counter Derivatives Market Act of 2009 (OCDMA), designed to comprehensively regulate OTC derivatives. The administration proposed moving all standardized OTC products onto regulated exchanges. It is also seeking to curtail non-standardized, or customized, derivatives by imposing higher capital and margin requirements on them.

The Treasury's proposed legislation excludes FX swaps and forwards, saying these transactions are not considered OTC derivatives under the generally prevailing market conventions. It said these transactions have important economic differences from derivatives: They are generally very short term, have high turnover ratios and involve real physical exchanges of principal.

The exclusion of foreign exchange swaps and forwards from the definition of swaps effectively excludes these contracts from additional regulation under the OCDMA, according to an analysis by the law firm Sullivan & Cromwell. As currently written, OCDMA could limit or prohibit end-user access to customized swaps, the report says. Unless the swap is used precisely to hedge market or credit risks under generally accepted accounting principles (GAAP), any customized swap transaction will be subject to higher margin and capital requirements, creating a significant cash-flow issue for commercial entities, the law firm says.

Swaps Face Uncertain Future

Responding to complaints from a wide range of corporations that the proposed reforms would make it harder to manage risk using tailored financial products, Representative Barney Frank, a Democrat from Massachusetts, who chairs the House Financial Services Committee, released a revised bill in October that would not require OTC derivative trades to go through an exchange and a central clearinghouse if one of the counterparties to the swap is not a dealer or major market participant. Thus, companies could escape the new regulations if they were using swaps to manage business risks.

Gary Gensler, chairman of the Commodities Futures Trading Commission, says Frank's revised bill would open too many loopholes. "I believe it is best for a clearinghouse that is managing its risk to determine if a particular product should be cleared," he said at a hearing on the bill on October 7. Gensler also raised concerns that the exclusion of FX swaps might encourage market participants to re-engineer currency and interest rate swaps to make them more like FX swaps or forwards.

The Senate has yet to take up the issue, and it remains uncertain if broad financial market regulatory reforms can be passed this year, particularly with healthcare reform and a major climate-change bill vying for legislators' attention.

Meanwhile, the CME Group, the largest futures and options exchange, has a vision of becoming a major central counterparty clearer for OTC markets, including FX swaps, says Craig Donohue, chief executive of the CME. "As the events of the last 12 months attest, structural risks such as counterparty risk and regulatory reform are creating yet another wave of change in global FX markets," he told an industry conference in Chicago.

The CME is expanding its Clearport clearing system from the energy and metals markets into foreign exchange. "We are developing a flexible, secure clearing service for the global OTC foreign exchange market," Donohue says. "This will combine the flexibility and user-choice of the OTC market with the risk management benefits of a clearing house," he points out.

"Throughout the crisis, we have been reminded that OTC markets are complementary to and have a symbiotic relationship with exchange-traded markets," Donohue says. "Therefore, we do not favor artificial and prescriptive government action, such as mandatory clearing," he says.

LCH.Clearnet, which was formed by a merger of the London Clearing House and Clearnet and serves London and Continental exchanges, is also considering a move into clearing foreign exchange trades.

CLS, a bank-owned currency-settlement system introduced in 2002, settles more than half of all foreign exchange trades. Seventeen major currencies are eligible for settlement through the CLS system. ■

"OTC markets…have a symbiotic relationship with exchange-traded markets"

"Therefore, we do not favor artificial and prescriptive government action, such as mandatory clearing" — *Craig Donohue, chief executive of the CME*

Who's Who In Foreign Exchange 2009

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Anil Prasad is global head of FX and EM local markets at Citi, based in London. He began his career with Citibank India in 1986 and relocated to New York in 1988 to work on the currency and metals options desk. In 1992 he was named head of the options business. Prasad moved to London to head Citi's interest rate options business in 1996. He also has worked in proprietary trading at Natwest Capital Markets, beginning in 1997. Prasad rejoined Citi in 2000 as regional head of CEEMEA (Central and Eastern Europe, Middle East and Africa) trading and was named head of sales and trading for the region in 2003.
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Jeff Feig is responsible for all foreign exchange sales and trading in the G-10 developed markets at Citi. He joined the bank in 1989 as an associate on the FX desk in Toronto and has held several FX management positions in North America and Europe. He was named to his current position in 2004. Feig serves on both the Federal Reserve Bank of New York's FX Committee and the Bank of Canada's FX Committee. He was on the board of electronic broker EBS until its sale in 2007 to ICAP.
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Peter Cruddas
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Peter Cruddas stepped down as executive chairman of London-based CMC Markets in August 2009 to become chief executive of the firm. He has taken on day-to-day management of the company he founded in 1989 to prepare it for a public offering. CMC Markets was the first company to offer online FX trading in 1996. Since then, it has developed its trading software and expanded its products to include CFDs (contracts for difference) and spread betting on financial instruments.
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Derek Sammann is managing director and global head of FX products at CME Group, the world's largest derivatives exchange. The CME earlier this year launched a series of smaller-size FX contracts for retail traders and investors. The CME Globex platform is open 24 hours a day, and trades are instantly confirmed through more than 1,100 direct connections in 86 countries.
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Phil Weisberg, CEO of FXall, has led the company since it was formed in 2001. FXall provides automated trading and workflow solutions for foreign exchange and treasury operations. More than 800 institutions have joined the multibank portal for FX trading. Before joining FXall, Weisberg was a managing director at LabMorgan, JPMorgan Chase's eFinance incubator.

Drew Niv
CEO
FXCM
Drew Niv, CEO of FXCM, co-founded the foreign exchange brokerage in 1999. Since

then, FXCM has become one of the largest firms in online retail foreign exchange trading, with 150,000 accounts in 200 countries. Prior to founding FXCM, Niv was director of marketing at MG Financial.

Andreas Putz
managing director
FXCM Pro
Andreas Putz has expanded the institutional agency desk at the New York-based FXCM Pro. Prior to joining FXCM Pro in 2005, he headed FX emerging markets trading and sales at Calyon, based in London. Putz began his career at Deutsche Bank in New York.

John R. Taylor
chairman, CEO and chief investment officer
FX Concepts
John Taylor founded FX Concepts, a New York-based investment management company for foreign exchange assets, including currency overlays, in 1981. He specializes in the analysis of cyclicality of FX and interest rate markets. Taylor developed some of the first computer models to assist multinational corporations in managing foreign exchange risk.
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Mark Galant
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Gain Capital
Mark Galant founded GAIN Capital in 1999, and the firm has grown into one of the largest online foreign exchange companies. GAIN Capital operates the Forex.com system, which has clients in 140 countries. Prior to forming the company, Galant helped build FNX into a leading provider of trading and risk management systems. Before that, he was global head of foreign exchange options trading at Credit Suisse.
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global head of foreign exchange and metals
HSBC
Frederic Boillereau was named as global head of foreign exchange and metals in March 2009, when HSBC integrated foreign exchange spot, forward and options trading, as well as the metals business, into a single global product offering. Based in London, Boillereau joined the bank's global markets division in 1998. Since May 2008 he has been heading HSBC's metals business.

Gary Nettleingham
global head of foreign exchange spot and forward trading
HSBC
Gary Nettleingham was named global head of foreign exchange spot and forward trading in May 2009. He previously was European head of foreign exchange trading and joined HSBC in 1989.

John Nixon
executive director; CEO of ICAP Electronic Broking
ICAP
John Nixon was named an executive director of ICAP in May 2008. ICAP became the leading broker in the spot FX market with its purchase of the EBS platform in 2006. Nixon also is CEO of ICAP Electronic Broking and is responsible for strategic acquisitions as well as ICAP's information business. Previously, he was CEO of Tullett and Tokyo Forex, now part of Tullett Prebon.

David Rutter
deputy CEO of ICAP Electronic Broking
ICAP
David Rutter is deputy chief executive of ICAP Electronic Broking. Prior to joining ICAP, he was a significant shareholder in Prebon. Rutter served in various capacities at Prebon, beginning in 1988. He was global chief executive of Prebon Energy and managing director of the Americas for Prebon Yamane.

Todd Crosland
chairman and president
Interbank FX
Todd Crosland, chairman and president of Interbank FX, founded the off-exchange broker in Salt Lake City, Utah, in 2001. With customers in 140 countries, Interbank FX offers individual traders, fund managers and institutional customers technology to trade spot foreign exchange online and via wireless devices. Its 2008 trading volume totaled $750 billion.
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Joaquim Pires
managing director and head of foreign exchange
Millennium BCP
Joaquim Pires is head of foreign exchange at Portugal-based Millennium BCP. He is responsible for FX trading and sales, covering a wide range of currencies and structured products. Pires joined the bank in 1991 from Banco Português do Atlântico, where he started his career in financial markets in 1986.
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David Gracey
head of foreign exchange trading
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David Gracey is head of foreign exchange trading at South Africa-based Nedbank Capital, where he is the market maker on the spot FX desk in Johannesburg. He has traded in various South African markets for 22 years.
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Róbert Barlai
head of treasury
OTP Bank
Róbert Barlai is head of the treasury business, including foreign exchange, at Budapest-based OTP Bank, Hungary's largest bank. He is a member of the board of the Budapest Stock Exchange. Barlai is responsible for group-wide treasury standards at OTP Bank.
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Alan Ruskin
head of FX international strategy
RBS Greenwich Capital
Alan Ruskin joined Connecticut-based RBS Greenwich Capital, a subsidiary of Royal Bank of Scotland, in January 2006. He has been a financial economist and strategist for 25 years. He was research director for Europe at MMS International in the 1980s and managed the currency service on Telerate. In 1989 he founded IDEAglobal in London, and in 1992 he moved to the firm's New York office. In 1997 Ruskin helped set up 4cast's North American operation.
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Barry Wainstein
vice chairman and deputy head of global capital markets and global head of foreign exchange and precious metals
Scotia Capital
Barry Wainstein is vice chairman and deputy head of global capital markets at Scotia Capital and global head of both the foreign exchange and precious metals business lines. The latter operates under the name of ScotiaMocatta and is a foreign financial member of the Shanghai Gold Exchange. Wainstein is on the Foreign Exchange Committee of the Bank of Canada and the European Central Bank's Foreign Exchange Contact Group.
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Richard Leighton
global head of foreign exchange
Standard Chartered Bank
Richard Leighton is global head of foreign exchange at Standard Chartered Bank, based in London. He is responsible for global FX and FX options products, as well as fixed income in Europe. Before joining the bank in 2003, he worked in the currency and commodities areas at JPMorgan Chase and Midland Bank/HSBC.
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Anthony S. Bisegna
senior managing director and global head of FX trading
State Street Global Markets
Anthony Bisegna manages all currency trading activities worldwide for State Street Global Markets, including spot transactions, forwards, emerging markets and options. He is a member of the Foreign Exchange Committee of the Federal Reserve Bank of New York and holds a CFA designation.
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Boris Somorovsky
head of trading department
Tatra Banka
Boris Somorovsky joined Slovakia-based Tatra Banka in 1999 as a foreign exchange trader. He was named a senior trader in 2004 and became head of the trading department earlier this year. The bank is a member of Austria-based Raiffeisen International.
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Fabian Shey
managing director and global head of fixed-income, currencies and commodities distribution
UBS Investment Bank
Fabian Shey is managing director and global head of fixed-income, currencies and commodities at UBS Investment Bank. He has led various areas within FX at UBS since 2000. Prior to that, Shey was global head of FX exotic options at SBC Warburg, which later became UBS Warburg.

Simon Wilson-Taylor
managing director and global head of e-commerce
UBS Investment Bank
Simon Wilson-Taylor joined UBS Investment Bank as a managing director and global head of e-commerce in September 2009. He left State Street Global Markets in January 2009 to found Molten Markets, an online trading platform, where he was CEO. At State Street, Wilson-Taylor was executive vice president and head of Global Link.

Nick Crawford
global head of FX
UniCredit
Nick Crawford was named global head of FX at UniCredit in June 2009 and is based in London. He previously was head of interest rates and foreign exchange for North America, as well as FX derivatives trading. Before joining UniCredit, Crawford was global co-head of FX trading at Merrill Lynch in New York.
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Steve Turner
global head of FX sales
UniCredit
Steve Turner was named global head of FX sales at UniCredit in June 2009. Based in London, Turner joined UniCredit in 2005 as global head of hedge fund FX sales and European head of FX sales. He has worked in the FX markets for 29 years in both trading and sales roles at major banks, including UBS and Deutsche Bank.
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Mark Kritzman
president and CEO
Windham Capital Management
Mark Kritzman is president and CEO of Windham Capital Management, based in Cambridge, Massachusetts. He also serves as a senior partner of State Street Associates and teaches a financial engineering course at MIT's Sloan School of Management. Kritzman has done research on measuring turbulence in financial markets.
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G20: A CHANGE FOR THE BETTER?

By Simon Derrick, Head of Currency Research, BNY Mellon

The path towards G20 becoming the premier forum for "international economic cooperation" (usurping the role of G8) seemed inevitable this year. Given the scale of the crisis that overwhelmed the financial markets in 2008, it was inconceivable that the major FX reserve holders (e.g. China) would not have a seat at the table when these matters were discussed. Although this move is certainly to be applauded, this new collaboration brings its own unique set of problems.

There can, of course, be little debate over whether this decade has been characterised by imbalanced growth globally. Moreover, few could argue with the contention (reportedly carried in the US proposal for the G20 summit) that the US needs to save more and cut its budget deficit, that China must rely less on exports, and that Europe needs to make structural changes to boost business investment. However, achieving consensus on why these problems emerged in the first place, and reaching agreement among key G20 members regarding the currency policy issues that have contributed to these imbalances has proved difficult.

Now that G7 has become G20, the risk is that centrally managed, coordinated change will prove even harder than it was before

It is worth noting that even G7 often struggled to reach a consensus on major intra member currency issues (as anyone who regularly picked over the bones of the communiqués can attest). Given recent history, it seems reasonable to presume that the G20 grouping will find it even harder. Put simply, it's difficult to see a G20 communiqué that would be prepared to directly criticise Chinese currency policy in the way that, say, the April 2007 G7 statement did. Instead, the risk must surely be that official commentary on currency issues will be limited to anodyne warnings on the dangers of excessive volatility in the FX markets.

There is an argument that says the key relationship within G20 is that between the US and China, and that to truly understand the tensions within the group it is vital to understand the interplay between the two. It is therefore worth highlighting that China must surely have spent the summer months worrying about the outlook for the USD. However, with the US unlikely to tighten monetary policy or exit emergency spending programmes at any point soon, there is relatively little that can be done to provide anything other than temporary support for the greenback. Equally, China no doubt realizes that complaining in these circumstances could simply prove self-defeating. Given this, in the short run China really has only one-way out: heightened reserve diversification.

Given this, it is interesting to note the number of commodity related deals that Chinese companies have been involved with in recent months (stretching from Kazakhstan to Canada). Equally, we note the comment from the head of Australia's debt agency that China is growing in importance as a buyer of Australia's sovereign bonds and (at the opposite extreme) the report that China's Central Television, the main state-owned television company, has recently run a news programme letting the public know how easy it is to buy precious metals as an investment. All, in one way or another, allow China to diversify (albeit indirectly) its stock of USD-denominated currency reserves.

One prerequisite for reducing global imbalances is for the nations of G20 to follow a series of well-co-ordinated currency policies. Now that G7 has become G20, the risk is that centrally managed, coordinated change will prove even harder than it was before.

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