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FX Week

Review of 2008

Author: [FX Week Staff](#)Source: [FX Week](#) | 05 Jan 2009

January

FX back with a bang

GLOBAL - Foreign exchange started the year on the back of record volumes for 2007. However, the strong performance by the asset class was not enough to protect some FX teams, as banks began making cuts to help counter the increasing woes in the financial sector.

Multibank portal FXall reported record annual trading volumes of over \$13.4 trillion - single count - in 2007, a 37% rise over 2006 figures.

Icap-owned spot-broking platform EBS reached average daily volumes of \$182 billion in 2007, an increase of 28% on \$143 billion in 2006. Meanwhile, the CME reported a 26% rise in average daily volumes for foreign exchange contracts in 2007 versus 2006, with a record 569,671 contracts traded a day last year. This represented a notional value of \$71 billion a day, up 29% on 2006.

Despite the impressive numbers, FX was not immune to the worsening financial climate. Merrill Lynch took a \$8.4 billion hit in the third quarter 2007 from revaluing bonds backed by mortgages and other writedowns leading to at least half of the UK-based FX sales team experiencing bonus cuts of 50-80%. In New York, many of the FX sales team received no bonus at all.

Bank of America continued to scale back its global foreign exchange operations, with at least 12 redundancies across London, Singapore and New York. In London the cuts included Simon Manwaring, head of correlation trading, Greg Kaldor, former managing director and co-head of FX institutional sales, and Mark Rossi, in UK institutional and hedge fund sales. Lastly, Credit Suisse closed its spot foreign exchange trading desk in London and began relocating staff to Zurich.

Amid all of this, January still found room for the Société Générale trading scandal. The e4.9 billion loss at the hands of rogue equity index futures trader, Jérôme Kerviel, was the largest fraud in investment banking history. Quite a start to the year.

Reuters enhances prime brokerage package

LONDON - Reuters revamped its prime brokerage offering to enable buy- and sell-side clients to trade foreign exchange anonymously through the credit lines of their prime brokers.

Ten banks and buy-side clients began using the new service on Reuters' electronic trading system, Spot Matching. Previously, prime broker clients could only trade through an application programming interface.

Jas Singh, global head of treasury at Reuters in London said: "Our latest enhancements provide new opportunities for our customers, giving them access to deep and broad liquidity. Customers that have Reuters Dealing and Reuters Matching systems anywhere in the world can potentially become a prime broker client."

Portuguese buyers for Saxo

COPENHAGEN & LISBON - Portugal's Espirito Santo Financial Group (ESFG) and subsidiary Banco Espirito Santo Group (BESG) bought a 5% shareholding in Saxo Bank worth \$92 million.

The deal was designed to expand the bank's electronic capabilities, especially in the foreign exchange sphere, where the two parties had already enjoyed success. In January 2007, Banco Best, in which BESG is a majority shareholder, launched Best Trading Pro, a white-label version of trading platform SaxoTrader. Revenues from Best Trading Pro generated 5% of the bank's income in 2007. Of that, 70% was garnered through FX trading.

The agreement also included an option to build a common online platform that would offer trading and asset management.

Trading places

Departures at Lehman and Merrill

Lehman Brothers' chief foreign exchange dealer in New York, Joel Holmes, resigned although it was thought he agreed a bonus payout before leaving. He had been at the bank since May 2004 after joining from Deutsche Bank.

One of his other former employers, Merrill Lynch, also saw key staff leave. It laid off Neale Muston, Tokyo-based Pacific Rim head of liquidity rates, Melvyn Ford, head of Pacific Rim global markets financing and services in Hong Kong, and Nigel Beattie, co-head of Pacific Rim equities. Meanwhile, in London foreign exchange salespeople Stefan Collet and Chris Ball were let go.

Four new FX MDs at Barclays

Barclays Capital promoted four members of its foreign exchange division to the level of managing director.

The four were: Martin Gueldenberg, head of corporate risk advisory, co-heads of foreign exchange structuring Philippos Kassimatis and Andy Kaufmann, and head of FX derivatives sales Jacques Mosseri- Marlio. Gueldenberg is based in Frankfurt, while the others are based in London.

UBS loses staff to Julius Baer

Swiss private bank Julius Baer expanded its marketing team in Singapore with senior hires from rival UBS.

Michael de Santiesteban joined as team head and managing director of marketing for South-east Asia, reporting to Heinz Puth, head of marketing for South-east Asia, based in Singapore. De Santiesteban was most recently desk head for south Asia at UBS in Singapore.

Other arrivals were Thitima Chuntamongkol, who had been with UBS for six years. Jan Philip Dirkman and Theekaraj Piampongsarn also joined the team in the first half of the year from UBS.

Meanwhile, Christina Ng joined the Swiss bank from BNP Paribas Private Bank.

Calyon chief heads Newedge

Newedge, the joint venture institutional brokerage formed through the merger of Calyon Financial and Fimat, announced its new foreign exchange line-up.

New York-based Max Smith was named global head of foreign exchange. Smith had formerly been chief foreign exchange dealer at Calyon Financial. Ryan Schiff, Chicago-based former global head of Fimat FX, became global head of liquidity. The duo became responsible for a team of 19 sales and trading personnel based in the US, reporting to Marc Schultz, senior managing director and chief executive for the Americas in New York.

February

CLS in capacity controversy

NEW YORK & ZURICH - The foreign exchange industry debated the merits of a CLS warehouse system, as four banks entered into discussions with the global settlement utility.

The proposal was for banks to feed their trade information to CLS earlier in the processing cycle, to help reduce capacity constraints on back offices. Instead of sending trades to CLS from the back office, the bank would send the trade to CLS once it had been captured, matched and was in its risk system. Once in the CLS database as a matched trade, the bank could then stop processing individual trades and instead process the net economic effect of aggregated or netted trades through its middle and back offices.

Jonathan Butterfield, executive vice-president of marketing and communications at CLS in New York said capacity had been an issue since August 2007, primarily for the "top 12 FX banks" and particularly those with large prime-brokerage operations.

Butterfield highlighted differences in bank capacity investment as one potential obstacle for the warehouse system. "Capacity is a competitive issue," he said.

This was echoed by Martin Rettich, managing director of custody and transaction services at Credit Suisse in Zurich. "An infrastructure provider should be neutral and offer its products and services at arm's length, equal to all users. If we have our house in order, in terms of capacity, why then should we give up the advantage we have to CLS?" he asked. "If you can process more volumes, especially from the algo trading and prime brokerage side of the business, that gives an advantage."

"An attractive way forward for me would be to continue to use CLS - even to go into a pre-settlement netting function with CLS," continued Rettich. "My concern is that the proposal will not change the cost or pricing model at CLS. Capacity is one thing, cost is another."

Icap halts Chinese interbank forwards and swaps

SHANGHAI - Icap stopped quoting forwards and swaps in the Chinese interbank market through its local joint venture on February 21, due to a lack of regulatory clarity.

The interdealer broker had entered into an agreement with the China foreign exchange trade system (Cfets) in the summer of 2006, but ceased trading swaps and forwards due to a "policy vacuum".

Shen Jun, Shanghai-based compliance officer at the broker, said: "The State Administration of Foreign Exchange hasn't said we can or cannot operate in this market. The China Banking Regulatory Commission's position is unclear too.

"There is no clear policy for the foreign exchange market, so we have stopped quoting these products indefinitely."

London still top of the FX world

LONDON - London remained the global leader in foreign exchange trading, according to figures released by regional trade bodies.

The UK's Foreign Exchange Joint Standing Committee announced a year-to-date increase of 38% in average daily turnover for October 2007. The average daily total of traditional FX, over the counter and currency swaps for the month was \$1.472 trillion.

This outstripped the numbers from the US Foreign Exchange Committee, which reported average daily volumes of \$700 billion for all FX instruments. This represented a 31% rise from the previous year.

Data from the US report showed electronic trading systems and e-broking systems grew a combined 3% over the period, while customer direct transactions fell by 4%.

Trading places

D'Albert replaces Turley at Deutsche

Richard D'Albert was promoted to global head of sales at Deutsche Bank from his previous role as global head of the bank's securitised product group.

Based in New York, D'Albert took over from Jim Turley, who began a year-long sabbatical in March. Turley had held the role since September 2006, when the bank decided to move commodities out of foreign exchange and into credit trading.

Deutsche Bank names new spot and options head

Rob Mandeno became global head of foreign exchange spot and options at Deutsche Bank, as he relocated from New Zealand to London to take on the role.

He also joined the global FX management team and reports to Zar Amrolia, head of global foreign exchange at Deutsche in London. Mandeno had previously been developing the bank's foreign exchange forwards electronic pricing.

Mandeno took the place of Mark Carrodus, who had held the post for a year, but returned to New Zealand for personal reasons. He remained with the bank, but his exact role was not known.

All change for Merrill's forex

Merrill Lynch scrapped the global head of foreign exchange position, which had been held by Harry Culham in London. As a result, Culham began talks with the bank to terminate his contract and bring to an end his second spell at the bank, which had lasted since his arrival from Dresdner Kleinwort in 2006. He also spent six years with Merrill from 1996 onwards.

Responsibility for the foreign exchange business shifted to David Gu, London-based co-head of fixed income, currencies and commodities for Europe, the Middle East and Africa. Gu is also global head of rates and currencies.

August departure from Merrill

In February, Merrill also lost its head of UK real-money business for Europe, the Middle East and Africa, as Mark August left to join TD Securities.

August's new role as managing director and head of institutional foreign exchange distribution for Europe was set to begin once three months of gardening leave had been completed. The role is London-based and he reports to Michael Twaits, head of distribution in Europe, fixed income and foreign exchange.

August joined Merrill Lynch as a director in foreign exchange sales in London in 2003, leaving Barclays Capital in London, where he had held a similar role.

March

FXSettle launched as US rules threaten retail FX

LONDON & NEW YORK - FXMarketSpace (FXMS) launched an alternative settlement system in March, while new US legislation threatened small retail foreign exchange firms.

FXMS's new model, FXSettle, aimed to reduce costs for high-frequency buy-side traders. FXMS chief executive Mark Robson stated customers would be able to save as much as 50% of their settlement fees. Clients Citi and JP Morgan went live in February.

All trades on the platform were novated to the CME Clearing House, which enabled direct contractual commitments to be established with prime brokers on the system. This guaranteed settlement for any trades executed on FXMS by their own traders and customers.

Praise for the system was tempered with concern, with one FX prime broker saying: "It should be a very interesting wake-up call for the industry and yet the fact is that the size of the ripple is smaller just because of the small amount of volume going through FXMarketSpace."

There was also concern for small retail FX firms as the US government proposed new regulations. Forex solicitors were required to register as introducing brokers, FX money managers as commodity trading advisers and FX pool operators as commodity pool operators.

Other proposals included a minimum adjusted net capital of \$5 million for FX dealer members of the National Futures Association; that all FX firms acting as counterparties to a retail trade register with the Commodity Futures Trading Commission as FX dealers; and that the CFTC become the rule-making authority for over-the-counter FX transactions.

Glenn Stevens, chief executive of Gain Capital in New Jersey, said the higher capital requirement would cause market consolidation, as large firms absorbed undercapitalised firms.

Lehman denies trading freeze

SINGAPORE - Lehman Brothers moved to quash market rumours that Singapore's largest bank, DBS, had stopped trading with it on March 17.

Reports surfaced that DBS had instructed traders not to enter new transactions with Lehman, due to a crisis of confidence about the bank after news of JP Morgan's government-backed takeover of Bear Stearns.

"We did not stop doing business with DBS," said a Lehman Brothers spokesperson in Hong Kong, citing a USD/NZD20 million foreign exchange trade and a USD/AUD2 million FX deal undertaken between the two banks on the day the halt was allegedly placed.

The worries were indicative of a more risk-averse industry. "We check trading limits every single day now," said Bernard Yeung, an FX trader at HSBC in Hong Kong.

Thailand lifts capital controls

BANGKOK - The Bank of Thailand lifted capital controls on March 3, after it failed to halt the baht's appreciation against the dollar.

The unremunerated reserve requirements stated 30% of gross local bond holdings by non-residents were limited to earning 0% interest for one year. "This effectively drove a wedge between the onshore/offshore market by creating a two-tier market," said Claudio Piron, Asia FX strategist at JP Morgan in Singapore.

The scarcity of baht liquidity in the forwards offshore market also prompted offshore baht spot to trade more expensively than onshore as non-residents had to buy offshore baht spot to gain direct access to rationed baht liquidity.

The lifting of capital controls narrowed the spread between onshore and offshore US dollar/baht.

Trading places

Culham resurfaces at CIBC

In March it emerged Harry Culham would take on a role as managing director and head of fixed income and currencies at CIBC World Markets, starting on May 6.

Culham's new role, based in Toronto, gave him responsibility for trading and sales of debt products, interest rate derivatives and foreign exchange, the bank said. He reports to Richard Nesbitt, chief executive of World Markets in Toronto.

Culham had left his role as global head of foreign exchange at Merrill Lynch in February when the bank took the decision to place the foreign exchange business under the supervision of David Gu, the then co-head of fixed income, currencies and commodities in Europe, the Middle East and Africa.

Gu in the news again

David Gu was named as sole head of fixed income, currencies and commodities in Europe, the Middle East and Africa in an internal email circulated by Merrill Lynch on March 5.

The move came after the resignation of co-head Dimitrios Psyllidis. The same memo announced he was leaving to pursue personal interests and spend more time with his family.

BNP Paribas names Nursey global head of options

Simon Nursey was promoted to global head of foreign exchange options trading at French bank BNP Paribas.

He started in his new role on March 3, based in Singapore, and it was unclear whether he would remain there or relocate to London.

He had previously been responsible for the bank's Asian forex options business, as well as being global head of the complex risk

group.

Citi grabs UBS staff

Citi raided UBS's foreign exchange business, including the Swiss dealer's banks team globally.

That team had been headed by Bruno Widmer, global head of foreign exchange, banks, at UBS in London. Widmer eventually started on July 1 in Zurich as global head of bank foreign exchange sales and was joined by seven former UBS colleagues: Nick Downes, Martin Tschaechtli, Tanya Scacchi, Birgit Ludwig Wasser, Toby Frei, Paul Von Wartburg and Craig Schultz.

They all report to Widmer, who in turn reports to Jeff Feig, global head of G-10 foreign exchange, based in New York, and Okan Pekin, head of global investor sales in London.

April

Citi targets EM settlement

NEW YORK & BOGOTA - Citi's domestic settlement service set a foothold in several emerging markets where CLS is not active.

The plan followed the launch of the bank's domestic settlement service in Colombia late in 2007. Camara de Compensacion de Divisas de Colombia (CCD), the privately owned Colombian FX clearing house, went live with Citi's domestic settlement service for interbank FX trading on November 6.

The Citi service is similar to CLS, simultaneously settling both sides of trades for its members. CCD was clearing on average around \$850 million daily in T+0 FX trades for its 36 members, representing a 76% share of the Colombian electronic trading system, SET-FX, through which most of the wholesale market is traded. CCD said it expected to add another 10 members, including the Colombian central bank and Ministry of Finance, in the coming months.

Puneet Singhvi, head of corresponding banking products at Citi in New York, said the bank was "engaging" with other central banks in emerging markets to provide a similar service, though he declined to detail the places targeted.

Singhvi said the settlement service is complimentary to CLS as it concentrates on markets that are not planned for inclusion by CLS "for many years to come". Extra settlement services should not take more than six months to implement, he added.

Meanwhile, the Institute of International Finance (IIF), a banking industry trade group, promised to improve transparency over risk exposure and executive pay in the wake of the credit crisis.

In its interim report on the crisis, the IIF admitted "major points of weaknesses in business practices and market dynamics, particularly but not exclusively related to the dramatic growth of complex structured products".

IIF chairman Josef Ackermann, the chairman of Deutsche Bank, said more transparency was vital - in risk and liquidity management, but also in pay decisions. "Incentive compensation models should be better aligned with shareholders' interests and long-term, firm-wide profitability," he said.

Hotspot FXi data for sale

JERSEY CITY, NJ - Hotspot FXi began selling market data from its Hotspot Records Centre's historical market data archive.

Dating back to January 2004, the data covers price and quantity tick and transaction information, enabling deep analysis to uncover trends and trading signals. It also enables users to back-test automated trading models, including bids and offers, by currency pair, at user-configurable time intervals.

The ECN also embarked on selling transaction data, covering prices and associated sizes of all trades executed on the Hotspot FXi ECN, with corresponding time stamps.

Charges were on a subscription basis, but the platform planned to provide data samples for initial analysis.

Carry trades add to UBS subprime woes

ZURICH & BASEL - The UBS shareholder report released in April revealed carry trades might have contributed to almost \$1.9 billion of writedowns in a UBS foreign exchange/cash collateral trading (FX/CCT) subprime portfolio.

According to the report, while FX/CCT was regarded as a profit centre within the investment bank, it was responsible for about 10% of \$18.7 billion of writedowns reported up to December 31, 2007.

The FX/CCT business had large subprime positions held in an asset-backed security trading portfolio, worth between \$25 and \$30 billion, made up of AAA- and AA rated asset-backed securities. It had a 95% weighting towards US underlying assets.

Trading places

BoA and Deutsche shake-up e-FX

Scott Freeman, head of electronic commerce for global foreign exchange in New York at Bank of America (BoA), left after four years

with the bank.

His role was split into electronic trading strategies, under Chris Vogel, and e-client strategies, under Stephen Godfrey in San Francisco and Marco Pelizzoli, London-based head of e-trading services sales for Europe, the Middle East and Africa.

RBS announces new GFI sales force

Royal Bank of Scotland's (RBS) post-acquisition restructuring at ABN Amro's global financial institution (GFI) foreign exchange saw Craig Donaldson become regional head of global GFI FX and local markets sales for the Americas. Donaldson was formerly head of North American institutional FX sales for RBS in Stamford.

RBS also appointed Nick Strain as regional head of GFI FX and local markets sales for Asia, while Michael Walsh became head of GFI FX sales for the UK.

Dresdner reshuffles FX sales and trading

Dresdner Kleinwort also embarked on a top management restructuring in London and New York, splitting its foreign exchange sales and trading operations.

Ricardo Zulliger, London-based head of foreign exchange sales, was relocated to New York to become head of fixed income, currencies and commodities (FICC) sales in North America.

His role was taken over by Richard Attrill, newly appointed head of FX and local market sales in London, who had previously been head of FICC structuring. Ira Koyner became Dresdner's New York-based head of FX and local market trading, in what was a newly created position.

Exshaw enters consultation period at Merrill Lynch

Christian Exshaw, global head of foreign exchange sales, Europe, the Middle East and Africa, at Merrill Lynch in London was put on a 90-day consultation period, and later left to join CIBC World Markets.

Exshaw had been the only remaining member of the former-Dresdner trio hired in September 2006 to run a revived FX business at the US investment bank.

dbFX chief Hardiman departs

Deutsche Bank lost Catherine Hardiman, London-based head of dbFX, the bank's retail trading platform.

Hardiman joined Deutsche in 2003, in a then newly created role, reporting at the time to Jim Turley, global head of foreign exchange at Deutsche in London.

May

Emerging markets build-up

GLOBAL - The emerging markets experienced heightened activity in foreign exchange business in May.

CLS Bank launched settlement services for the Israeli shekel and Mexican peso in a bid to expand its footprint in the emerging market currencies. The move enabled over 61 CLS members to settle trades in the currencies from May 26, which included new members such as Israeli Bank, Bank Hapoalim and Bank Leumi.

The two countries' central banks applauded the move. Guillermo Ortiz, governor of Banco de México, said the inclusion of the Mexican currency into the CLS service was an important part of the country's financial stabilisation.

"Reducing settlement risk in FX transactions, vital to Israel's open economy, reinforces the stability and efficiency of Israel's financial system, and benefits the entire economy," said Bank of Israel governor Stanley Fischer.

In the same month, Standard Chartered initiated plans to move its offshore African FX trading desk from London to Dubai, as it continued to build its operations in the Middle East. The bank said the move enabled better alignment with other customer-facing bank functions that had recently moved to Dubai. Emmanuel Ajayi, global head of African currency FX, was selected to head the team of four.

Meanwhile, Canadian dealer TD Securities relocated its Asia FX and rates trading hub from Sydney to Singapore, to boost its coverage of emerging markets. Moti Jungreis, managing director, global head of short-term interest and currency trading and head of international fixed income at the bank in London, said the relocation reflected the increased focus the bank was placing on the emerging markets. "We are seeing greater demand for Asian emerging markets products from our client base," he said.

May also saw *FX Week* hold its inaugural China forum, at which Wang Xiaoyi, deputy head of China's State Administration of Foreign Exchange, announced plans to lower FX interbank market entrance requirements, enabling participation from non-banks.

RTFX offers algo strategies

LONDON - Thomson Reuters partnered with Credit Suisse to launch algorithmic trading strategies on Reuters Trading for Foreign

Exchange (RTFX).

The partnership enabled RTFX users to access Credit Suisse's Advanced Execution Services (AES) FX algorithms to execute orders, using strategies such as float, guerrilla and sniper.

Jonathan Wykes, London-based head of AES FX sales for Europe, said integrating AES FX into RTFX and partnering with Thomson Reuters was sensible for Credit Suisse both in terms of distribution and global reach.

"RTFX customers will now be able to select trading strategies that have been designed to optimise execution performance in a wide range of market conditions," he said.

BarCap launches retail white-label service

LONDON - Barclays Capital expanded into the mass and private wealth management markets for foreign exchange, launching Barx White Label for Private Investors, a white-label margin FX trading service.

The platform was designed to offer precision pricing, advanced order types, charting, technical analysis tools, and an integrated and automatic risk management and system-alerting capability. The trading platform also enabled clients to access their trading account through desktop and browser-based software.

White-label partners were also able to directly manage their own clients, and give clients the ability to write algorithmic trading strategies such as stop orders.

Trading places

Key forex hires at Credit Suisse

Credit Suisse named a new global head of its foreign exchange business and a new head of foreign exchange sales. Steve Yanez filled the former role and Martin Wiedmann the latter.

Yanez took on the New York-based role in addition to his former responsibilities as head of global short-term interest rate trading. He reports to Gael de Boissard, head of global securities in London. De Boissard maintains overall daily responsibility for foreign exchange products, but Yanez oversees spot, options trading, sales, and electronic trading and distribution.

Wiedmann's post did not become effective until June 1, with his predecessor Simon Meadows staying on to ensure a smooth transition. Zurich-based Wiedmann was also announced as local head of FX for the city, with local oversight of trading operations.

UniCredit names head of Asia FICC

Joe Craven was hired by UniCredit to head the bank's fixed income, currencies and commodities (FICC) sales and trading business in Asia.

The newly created position became effective on July 15, with Craven having responsibility for all FICC sales and trading staff in Hong Kong, where the position is based. He reports locally to Samuel Poon, executive chairman, Asia-Pacific, and globally to Ben Welsh, London-based global head of FICC.

Davidson promoted to head global sales at Bank of America

Cameron Davidson was promoted to global head of currency sales at Bank of America (BoA), filling the position vacated by Bob Gotelli the previous month.

Davidson, formerly head of Asia currency sales at BoA in Singapore, relocated to New York to take on the new role, where he reports to Gerhard Seebacher, head of the global rates and currencies business in New York.

Notice served at Bear Stearns

Bear Stearns' foreign exchange business was put on high alert after JP Morgan put 62 out of 73 employment positions on notice, according to a senior Bear Stearns official.

The positions were spread across the London and New York offices, and included David Schoenthal, global head of foreign exchange and precious metals in New York. In London they included Loic Meinnel, head of European forex and global options, Michael Kardouche, in foreign exchange institutional sales, and Steven Ware, in hedge fund sales.

June

Icap breaks into retail forex

LONDON - Icap broke into the lucrative retail foreign exchange market by teaming up with London-based retail equity and FX trading sister company City Index in an exclusive market data deal.

The deal sees City Index-owned retail forex trading vendor FX Solutions integrate market data from spot FX broking system EBS Spot to support its pricing engines.

Tom Plaut, chief executive of FX Solutions in New Jersey, said the move would give retail clients confidence in the integrity of FX Solutions' prices, which he said was a major factor when dealing in off-exchange products. "The EBS platform is where prices originate in the major currency pairs, and we are proud Icap has selected FX Solutions as its exclusive retail FX market data partner," he said.

The deal does not enable FX Solutions or its clients to gain trading access on the EBS platform. Instead, FX Solutions will use algorithms developed in house to spread the prices from the EBS data feed to generate tradable prices for clients.

"This is us demonstrating price integrity, where we are proving that the customer can be assured there's no price intervention from us," said Clive Cooke, chief executive at City Index in London. "There are platforms that take a price from a bank and move it. If the bank prices suddenly widen out because of figures that have just been released, for example, they can widen it to the wrong end or the end of the spread that suits them."

FX Solutions will also use Icap's electronic broking global sales infrastructure to assist in the promotion of its retail white-labelling platform, GTS Pro, to wholesale market participants.

Cooke said although white labelling did not account for a large part of FX Solutions' business, it made up 50% of City Index's business. This included partnerships with Barclays Stockbrokers and Deutsche Postbank.

China bans margin FX trading

BEIJING - China's banking regulators banned FX margin trading, citing poor risk management among Chinese commercial banks licensed to provide the service.

This came after more than 90% of investors had lost money through FX margin trading, "while the banks were generally making a profit from the activities," said China Banking Regulatory Commission (CBRC). All outstanding margin trading accounts had to be settled as quickly as possible.

CBRC compared the recent FX margin trading activity to a "gambling" environment, with some transactions amounting to as much as 50 times the deposit put down by investors.

However, although FX margin trading had become popular in China as an alternative to stock market investment, analysts said the new ban would have little impact on the wider FX market.

Single regional currency for Gulf

DUBAI - On June 9, Arab Gulf states approved a draft monetary union treaty to create a single regional currency.

Saudi Arabia, Qatar, the United Arab Emirates, Bahrain and Kuwait agreed to create a Gulf currency by 2010 and to put in place a Gulf Co-operation Council monetary authority. This was set to replace national authorities as the region's currency-issuing central bank.

The approval came as Arab central banks were under pressure to revalue their currencies or end pegs to the weakening dollar, amid rising inflation. Except for Kuwait, which terminated its peg to the dollar in 2007, all states still had currencies pegged to the dollar.

David Mann, senior currency strategist at Standard Chartered in Hong Kong, said Gulf central banks had cut interest rates despite inflows from record-high oil prices and growing infrastructure spending in the region.

Trading places

Global heads quit StanChart

Mike Bass, global head of commodities at Standard Chartered in Singapore, resigned from the bank.

His resignation concluded a seven-year career at StanChart, having joined as head of group treasury client relationship management, and served in a number of senior roles, including global head of interest rates derivatives. He had moved to his most recent role in December 2007, after heading rates and foreign exchange for three years.

Bass resigned just after the bank lost Benoit-Gilles Cambier, interim head of structured products. Cambier later resurfaced as head of rates exotics and hybrids for Latin America at Banco Santander in Madrid.

Two FX options traders quit Merrill Lynch

Senior foreign exchange options trader Mark de Wild Propitius left Merrill Lynch, to later resurface at Morgan Stanley, where he was hired to run the long-dated foreign exchange books on its interest rate desk.

Constantinos Constantinou also left the bank's London office, to return to Dresdner Kleinwort, where he was re-hired as senior options trader, after leaving the bank in February 2007. Constantinou's decampment to Merrill Lynch followed that of Harry Culham, formerly Dresdner Kleinwort's global head of foreign exchange, in September 2006.

More FX departures at Bear Stearns

Peter Williams, senior managing director in liquid product sales, foreign exchange futures and option commodities in London, left Bear Stearns as part of the spate of departures following the defunct US bank's March bail-out by rival JP Morgan.

Hedge fund salespeople James Lamb and Alistair McDonald also left the bank, as did Simon Williams in real money sales, Nicholas Jugniot in Italian banks sales, and strategist Steve Barrow.

London was also thought to have also lost spot traders Sammi Amara and Jim Hampton. Amara was tipped to resurface at Nomura International in London, working with former boss Bernd Broker. Hampton was expected to join UniCredit.

Meanwhile, Remy Covarel and Stephane Prunier left Bear Sterns' French institutional sales team in Paris.

In New York, a number of Bear Stearns' foreign exchange staff were heading to Natixis in the same city.

Natixis later confirmed hiring 17 foreign exchange staff from the defunct bank to kick-start the expansion of its foreign exchange platform.

July

Another good quarter for FX

BOSTON & NEW YORK - US dealers posted record revenues from forex business in the second quarter.

"Within fixed-income markets, the interest rate and currency trading business posted record revenues as volatility in interest rates drove strong results," said Gary Crittenden, chief financial officer at Citi.

Crittenden also cited record revenues in Citi's commodities business, driven by historic levels of volatility in areas such as oil and natural gas, as well as strong activity in the power sector.

However, Citi's fixed-income markets fell from \$4.65 billion in the second quarter of 2007 to a loss of \$633 million in the second quarter this year, due largely to \$7.2 billion in writedowns on subprime and other exposures.

Similarly, JP Morgan said in its quarterly results strong performances were achieved in currencies, rates, emerging markets and credit trading.

However, its fixed-income markets revenue fell 4% from Q2 2007 to stand at \$2.3 billion, as a result of net markdowns on leveraged lending funded and unfunded commitments, and mortgage-related net markdowns.

Merrill Lynch announced strong revenues from currencies, along with rates, commodities and municipals. However, these also fell short of redeeming its fixed income, currencies and commodities (FICC) net revenues, which clocked a shock loss of \$8.1 billion for the quarter.

The loss was mainly linked to US super-senior asset-backed security collateralised debt obligations, credit valuation adjustments related to hedges with financial guarantors, and net losses related to the investment securities portfolio of US banks and certain residential mortgage-related exposures.

Bank of New York Mellon reported a weighty 75% rise in revenues from FX and other trading activities. The US dealer said revenues surged from \$176 million in the second quarter 2007 to reach \$308 million in Q2 this year.

JP Morgan, Citi and UBS live on FXSettle

CHICAGO - It emerged in July that JP Morgan, Citi and UBS were the three prime-broking banks using settlement system FXSettle on trading platform FXMarketSpace (FXMS).

The US banks began settling client trades on the system in February, when the system went live. Meanwhile, UBS began settling trades over the system in June.

The system was developed as an alternative to settling foreign exchange trades over FXMS, in an effort to tackle risks and costs associated with settling trades from high-frequency traders.

FXMS and CLS declined to comment, while JP Morgan did not respond by press time.

StanChart switches on to sharia

DUBAI - Standard Chartered relaunched a sharia-compliant version of its online treasury (OLT) foreign exchange trading and hedging platform, after incorporating the version into its global brand for Islamic products, Standard Chartered Saadiq.

The move indicated international banks' increasing interest in the sharia-compliant market. Last year, dealers closed a number of firsts for rates products using sharia principles, such as the Deutsche Bank Islamic profit-rate collar for Dubai Islamic Bank.

The OLT platform provides automated pricing across spot, forwards and swaps in 100 currencies from the dealer's trading floor. It uses a *wa'ad* structure to hedge forward FX exposures.

Trading places

ANZ set sights on north-east Asia

ANZ expanded its Hong Kong office to create a new regional hub for its capital markets business and foreign exchange operations across north-east Asia.

The bank expected to double its cross-asset sales force, including foreign exchange, over the rest of the year, covering both corporate and institutional clients, said Grant Knuckey, head of markets for Hong Kong at ANZ.

Knuckey said positioning the office as a hub for north-east Asia business enabled the bank to expand its corporate and institutional foreign exchange product suite. Further structured forex solutions would be introduced across risk management and investment, he added.

ANZ also announced plans to incorporate a wholly owned bank in Vietnam and open new outlets by the end of 2008.

RBS moves Asia hub to Singapore

The Royal Bank of Scotland (RBS) moved its G-11 foreign exchange trading and sales hub to Singapore from Hong Kong (*FX Week*, April 28). "The move will bring together our product expertise and distribution strengths, and help us realise the integration synergies fully and effectively," said Christopher de la Hoyde, head of Asia-Pacific FX trading at RBS in Hong Kong. "Operating from Singapore as the hub for South-east Asia will enable our clients to fully take advantage of our combined product suite."

HSBC hires global markets heads

Rafi Ahmed and Anand Krishnamurthy were appointed as co-heads of global markets for the Middle East and north Africa at HSBC.

Ahmed joined HSBC from JP Morgan in London in 2002. Krishnamurthy joined the bank in 1992 and most recently worked as co-head of global markets for India.

The pair is responsible for treasury, foreign exchange, derivatives, debt and equity capital markets, research, and leveraged and acquisition finance. HSBC's direct brokerage on the UAE's two domestic exchanges also falls under the global markets business.

BarCap shakes up Asian forex management

Steve Weller, Barclays Capital's Singapore-based Asia-Pacific head of foreign exchange since 2004, took a sabbatical, leaving his responsibilities split among new and veteran members of the regional forex team.

Adrian McGowan took over Weller's position on July 14, relocating to Singapore from London, where he most recently worked at Deutsche Bank. At the German dealer, he was global head of complex risk and euro bloc flow options trading.

August

Brokers wary of retail FX task force

WASHINGTON, DC - The launch of a retail foreign exchange fraud prevention taskforce by the US futures regulators sparked concern among brokers that it could be a veiled move to lure retail FX traders towards exchanges.

The Commodity Futures Trading Commission (CFTC) set up the task force as part of an action to toughen standards in the retail FX market, which trades about \$100 billion a day globally. The dedicated team of FX enforcers, launched August 11, is charged with "stopping unscrupulous individuals working in retail FX", according to the regulator.

"Foreign exchange fraudsters' illegal activities taint the reputations of those working honestly in the futures industry," said CFTC commissioner Michael Dunn, in Washington, DC.

Industry participants agreed the creation of an enforcement task force would help clean up the market, and make it a better place for honest brokers to do business. But some argue the CFTC might be encouraging traders to move to exchanges, and questioned whether the move was driven by a genuine desire to weed out the 'bad apples' and not to carve out market share.

"When you look at the way the announcements have been made, you wonder whether it is not structured to move people towards more exchange trading," said one head of a retail FX brokerage in London.

Glenn Stevens, chief executive at online trading company Gain Capital in New York, said the move could make it easier for the CFTC to regulate the market. The US Congress clarified the extent of the CFTC's regulatory oversight of the over-the-counter retail FX market earlier this year. "It would make life simpler for the CFTC, because it could just impose policies upon exchanges," said Stevens.

He added, however, that he did not believe this was the reasoning behind the move, although he acknowledged the regulator had not been as even-handed in applying resources and updates towards the OTC market as it had the exchanges.

The establishment of a task force comes after recently increased capital requirements for foreign exchange retail brokers. On July 23, industry body, the National Futures Association raised the adjusted net capital by 75% to \$20 million. The increase will be phased in through \$5 million increments between October 31 this year and May 16, 2009.

Icap expands EBS Global Access into new markets

LONDON - Icap continued to widen its footprint into new markets, signing on 15 new customers to its web-based trading application, EBS Global Access, which enables internet access to EBS Spot.

The Bank of Bahrain and Kuwait, and 14 other institutions based in Europe, North America, the Asia-Pacific and the Middle East have signed on to the platform in the past four months.

The users include banks and large hedge funds. They are trading directly, and as EBS prime customers.

China forms FX department

BEIJING - China's central bank created a new department focused on managing exchange rate reforms and monitoring cross-border short-term capital flows.

According to the People's Bank of China, the division will implement currency policy, including developing an offshore renminbi market. No timeline was given for the development of the offshore market.

The restructuring at the central bank came soon after revisions to the country's FX policy. The new rules are aimed at easing outflow of capital, according to economists.

Trading places

Structuring co-chief quits BarCap

Barclays Capital lost its global co-head of foreign exchange structuring, Philippos Kassimatis, in August.

Kassimatis left the dealer's London office at the beginning of the month, after serving out his notice. He is understood to be establishing a fund.

Andrew Kaufmann, who worked as global co-head of structuring alongside Kassimatis, immediately assumed the role of sole global head of FX structuring at BarCap in London.

Kassimatis joined Barclays Capital alongside Kauffman in early 2005. Both had previously worked at the London offices of Merrill Lynch. Kassimatis had been responsible for Merrill Lynch's FX structured business of European financial institutions.

Kassimatis and Kaufmann were both made managing directors at BarCap at the beginning of 2008.

BoA boosts London FX team

Meanwhile, Bank of America (BoA) boosted its FX franchise in London with key promotions across sales, trading and strategy.

Claudio Cavallari assumed a newly created role as a foreign exchange sales assistant covering hedge fund and institutional FX sales, from a previous position in BoA's global operations FX products group. He reports to Vincent Delorenzo, BoA's head of FX for EMEA in London.

Paul Goodacre became vice-president in FX options trading, from his previous role as a senior FX trader in BoA's Singapore options desk. He reports to Frank Rawlins, the bank's head of FX options trading in London.

StanChart reshuffles e-FX in Singapore

Standard Chartered began restructuring its electronic foreign exchange business with the creation of a new global FX electronic pricing and trading division.

The division is being run from Singapore, headed by Todd McDonald. McDonald is a nine-year veteran of the bank and before taking this new position was head of foreign exchange trading for the Americas, based in New York. He relocated to Singapore to take up the role and reports to Richard Leighton, global head of FX in London.

Meanwhile, his former role was assumed by Keith Underwood, formerly the bank's head of FX trading for the UK and Europe. Underwood took up the post on July 1 and at the time no replacement had been decided for his previous role, the bank said.

A source said the foreign exchange electronic pricing and trading division would incorporate the bank's Singapore-based global electronic foreign exchange group but would have a heavier focus on trading, risk pricing and risk management of e-commerce.

September

Lehman fall spurs liquidity drought

GLOBAL - Heightened concerns over counterparty credit risk caused a dry-up of liquidity in the currency markets, as dealers feared a domino effect from the collapse of Lehman Brothers on Sunday, September 14.

Dealers cut lines to a wavering AIG, hitting trading on electronic trading platforms such as Currenex and Bloomberg Tradebook FX, where AIG was a central clearer. Meanwhile, lines were decreased to Morgan Stanley and Goldman Sachs after their standalone

investment banking business model was thrown into question.

"AIG was a main central counterparty to many of the trades transacted on Currenex, and it was a large prime broker to a lot of the trading you saw on Hotspot, Currenex and FXall," one hedge funds manager told *FX Week*. "Lehman Brothers was a powerful force in the foreign exchange liquidity-providing realm and now it has gone."

Martin Wiedmann, head of global FX sales and distribution at Credit Suisse in Zurich, agreed the illiquidity after the Lehman Brothers Chapter 11 filing had not been seen before. "We have not seen such extreme liquidity situations before. These are extreme stressed scenarios."

Josh Levy, managing director at New York-based proprietary trading company, **Tactical Asset Management**, noted spreads were inordinately wide. "Even in GBP/USD there were points, especially over the Asian session, where spreads were being quoted up to 11 pips wide [across electronic platforms]," he said. "I believe it's really just stake building because the currency markets have not been unacceptably volatile, certainly not more volatile than what we've seen in the past 18 months."

A London-based head of foreign exchange sales agreed dealers had reduced lines to any banks the market perceived could be in danger, such as Morgan Stanley, Goldman Sachs and Merrill Lynch. "We don't know whether we are coming to the end of this bizarre circle, if we're in the middle of it or just starting. It's something we'll know more about by the end of the year," he said.

JP Morgan replaces AIG as Currenex central clearer

NEW YORK - JP Morgan replaced AIG as the central clearer on Currenex's anonymous trading platform on September 17.

Concerns over the future of AIG, one of the world's largest insurance companies, prompted banks to stop trading with the company that week in a bid to limit exposures following the collapse of US investment bank Lehman Brothers on September 14.

A Currenex official said the company had been looking to enhance credit on Currenex for some time.

"This is not something that had to be thought up and put in immediately. We had been planning it for some time - we just had to implement it quicker than we thought," the official said.

US meltdown sparks central clearer debate

GLOBAL - September's events spurred renewed debate over the central-counterparty model for spot FX, as counterparty risk took centre stage.

"We're hoping the long-term effect generally is to move these and other products onto exchanges or ECNs, where there is more transparency and the possibility for increased distribution of risk," said one hedge fund manager.

A London electronic FX source said some customers would perform well in an exchange environment. "But we do have a lot of customers that exchanges would not help because of post-trade services and other non-direct execution-related services. Traders that do a lot of allocations would find it easier to trade with one counterparty."

Trading places

Saxo Bank cuts 400 jobs

Saxo Bank began shedding up to 400 jobs globally on September 29 as part of plans to streamline its business, officials told *FX Week*.

The bank scaled back 320-340 jobs at its Copenhagen headquarters and another 50 jobs globally, primarily in the UK, as part of what it called its "optimisation plan". The plan covered outsourcing, better use of technology and a simpler organisational structure, and is the result of a seven-week review of Saxo's business by Eric Rylberg, the Danish bank's chief executive director, and Karsten Poulsen, deputy chief executive director.

Kim Fournais, co-chief executive at Saxo Bank in Copenhagen, said that in two-and-a-half years, the bank had upped its headcount from around 400 to 1,400, added offices in Tokyo, Sydney, Beijing, Singapore, London and Marbella, and had also grown through acquisitions.

Credit Suisse changes its spots

Credit Suisse embarked on a second reorganisation of its spot foreign exchange risk management and trading teams in Zurich to capitalise on opportunities across electronic commerce and third-party business.

The reshuffle followed Credit Suisse's decision to combine its spot-trading desks in London and Zurich earlier this year. Bruno Langfritz, head of FX trading in Switzerland, moved to a new sell-side role at the bank. He will be responsible for developing Credit Suisse's third-party client bank activities and focus on increasing FX market share with this client base. He continues to manage Credit Suisse's global banknotes business.

Meanwhile, Giuseppe Condello, head trader in Credit Suisse's Swiss forex team in Zurich, started a new role in September as head of FX electronic commerce risk management.

Senior Lehman Brothers Asia staff keep their bonuses

Nomura agreed to guarantee the 2008 cash bonuses of at least 300 Lehman Brothers senior managing directors and vice-presidents in Asia working in fixed income, structured products and credit, said industry sources.

The Japanese bank, which took over Lehman Brothers' Asia operations, agreed to pay bonuses equal to 2007 payouts, with 70% paid in cash in March and the remaining 30% paid in cash six months later, according to a market insider. Nomura has also guaranteed the group's second-year bonuses, which will be paid 75% in cash and 25% in stock options.

October

FXMarketSpace abandoned

CHICAGO & LONDON - The Chicago Mercantile Exchange and Thomson Reuters closed joint venture platform FXMarketSpace, in a failed attempt to introduce the exchange model for spot foreign exchange.

Thomson Reuters said the initial joint venture agreement provided for financing up until the company became profitable during 2008. "We took a view that the liquidity levels by the third quarter did not indicate this goal would be met. [Given] our responsibilities to our shareholders and other stakeholders, we decided not to continue," said a Thomson Reuters spokesperson in London.

Since launch in May 2006, the platform failed to gain critical mass despite the fanfare surrounding the introduction of the exchange model to spot FX, through the CME Clearing House. Critics had consistently argued the model attempted to solve a problem that did not exist in cash FX, with prime brokerage and CLS providing credit mitigation and settlement.

The platform was also touted as leveling the playing field between the buy and sell side, given the increasing role of the buy side as market-makers as well as takers. However, this theory was challenged when volumes collapsed after Deutsche Bank began trading through an interest-only application programming interface.

The CME Group and Thomson Reuters said they remained committed to offering innovative solutions to the rapidly growing over-the-counter FX market, and the two companies are exploring working together to pursue clearing and operational efficiencies for their customers.

Meanwhile, the Hong Kong Securities and Futures Commission began investigations into unauthorised currency hedging at Citic Pacific that culminated in almost \$2 billion in losses.

The unauthorised trading, discovered at the unit of Chinese state-owned investment company Citic Group, was uncovered by the sharp devaluation of high-yielding currencies.

The investigation relates to potentially severe losses arising from leveraged foreign exchange contracts, including target redemption forwards contracts, used to fund an A\$1.6 billion (\$1.1 billion) iron ore mining project in Western Australia.

Lehman FX in with Barclays US

NEW YORK - Barclays Capital announced it had fully integrated Lehman Brothers' US FX and commodities businesses under the BarCap name.

The UK bank acquired the business in the wake of Lehman's collapse on September 15. Foreign exchange, sales and trading in spot, forwards and options products resumed and became integrated with Barclays Capital's existing currency trading. Commodities trading previously conducted by Lehman Brothers in North America was incorporated into the comprehensive suite of commodity products and services offered by BarCap.

It is believed BarCap has kept intellectual property rights for Lehman's electronic trading platform, FXLive.

Turbulence sparks confusion

GLOBAL - Traders globally avoided dealing with each other, despite co-ordinated efforts by central banks to ease the turmoil in the financial market through rate cuts and fund injections.

Liquidity continued to be patchy, with counterparty risk exacerbated by the collapse of Iceland's largest banks, Kaupthing, Glitnir and Landisbanki. Trading in Icelandic króna spot, forwards and options came to a halt.

Meanwhile, Japanese retail FX margin traders dumped \$16 billion worth of short yen positions within five days in a scramble to limit losses from unwinding carry trades. On October 8, yen holdings by Japanese retail traders fell to \$24 billion from \$40 billion on October 3, according to JP Morgan.

Trading places

Nomura takes 150 Lehman refugees

Richard Gladwin, former global head of foreign exchange at Lehman Brothers in London, led an exodus of the defunct bank's foreign exchange staff to Nomura.

Gladwin was accompanied by Andy Soper, former head of options trading, Mark Stafford, head of FX structuring, and Ronan Dowling, who became the US investment bank's head of exotic options trading shortly before its collapse.

Nomura confirmed more than 150 hires from Lehman Brothers were made in its European fixed-income division, reporting to Zenji Nakamura, Tokyo-based global head of fixed income.

RBS's Lintern joins Standard Chartered

Standard Chartered has appointed Philippe Lintern as co-head of flow foreign exchange options trading, where he will work alongside Singapore-based Fidelis Oruche.

Lintern took up his new position in October, based in London. His co-head Oruche has been working from Singapore since he joined the bank late 2007 (*FX Week*, December 3, 2007).

Both will be responsible for all flow options covering G-10 and emerging market currencies and report to Richard Leighton, global head of foreign exchange in London.

Burton and Pelster move to Société Générale

Société Générale hired Mike Burton, formerly head of foreign exchange sales at Lehman Brothers in London, as global head of flow forex sales, focusing on financial institutions.

He was joined by Mark Pelster in November as an emerging markets trader. He previously fulfilled the same role at Lehman Brothers.

Burton reports to Chico Khan-Gandapur, the bank's London-based global head of flow business, while Pelster reports to Ian Michael, head of exotic trading.

Merrill Lynch jettisons salespeople in London and New York

Job cuts at Merrill Lynch hit the bank's fixed-income, currencies and commodities (FICC) team in London and New York in October.

Within FICC in London, 68 jobs were cut, 15 of which were in the rates and currencies section. Tugba Erem and Imad Frata El Idrissi were two of the four members of the foreign exchange sales desk to lose their jobs.

Meanwhile, market sources told *FX Week* that Mike Palmieri, Mark Pollaci and Liz Daly left the US investment bank's foreign exchange sales team in New York.

November

FX slowing to assess risk

LONDON - Activity in the foreign exchange market will "pull back" over the next couple of years, while risk management will become a key focus for the industry, said Paul Fisher, London-based head of the FX and reserves management division at the Bank of England (BoE).

Speaking at the *FX Week* Europe Congress in London, Fisher pinpointed the "heavy knock" hedge funds took in 2008 as a likely reason for a reduction in volume growth. "By all accounts October was an absolutely dreadful month for activity in the FX markets," he added.

Fisher said the management of credit and liquidity risk would be the market element that changes most over the next two years. "I've never seen the investment banking arms of banks so keen to make a change to their risk management processes," he said, predicting this action might also affect turnover growth. IT budgets could also be diverted to risk management products rather than end-user platforms.

The dry-up of liquidity during the autumn crisis meant dealers increasingly internalised flow in search of liquidity. Tim Cartledge, head of FX trading at Barclays Capital in London, said because market-making had become a loss-making activity, hedge funds featured less in the market. "The thinning liquidity means we've seen a shift to where it is good to be doing most hedging internally and most of our algorithms now point inwards," he said.

Dealers predicted consolidation in the FX market around the largest, most technologically advanced, firms. "Unless you're already there, it is a difficult time to jump in," commented Stacy Williams, director of quantitative strategy risk advisory for global markets at HSBC. He added there are already signs a core group of banks will emerge that have bi-lateral arrangements with dominant regional banks to use algorithms to access liquidity in a regional currency.

Jeremy Smart, global head of e-FX sales at Morgan Stanley, said: "Whenever you get market dislocations like this, you see a period of consolidation afterwards and I think that will happen this time round too."

Forwards spreads tighten

LONDON & NEW YORK - Dealers reported a retreat in forwards spreads, reflecting marginal improvements in liquidity as Libor

eased after weeks of government and central bank action.

"Spreads are still wider [than before September 15] but the programmes put in by the US Fed and the central banks have helped liquidity in the short end, and Libor has come in quite a bit," said a senior trader in New York. "The spread for one-month cable has come in from its absolute worst of 10-14 points to two to three points now."

Dollar Libor dropped almost 100% in October, reaching 2.39% on November 7 after hitting record highs of 4.82% on October 10. On November 6, rate cuts in the UK and Europe, further helped ease lending in the interbank market.

Bloomberg Tradebook returns

NEW YORK - Bloomberg Tradebook re-launched its FX electronic communications network after suffering up to eight weeks of outage as it sought to replace AIG as its central clearer.

The broker began piloting the platform with Bank of America (BoA), its new central clearer and settlement service provider, and a select group of clients. Kim Bang, president at Bloomberg Tradebook in New York, said the "usual suspects" were reviewed for the role but BoA was chosen, primarily for its commitment to rolling out the service.

AIG had been used by Currenex's anonymous trading platform as the central clearer, but was replaced by JP Morgan a day after AIG's \$85 billion government bail-out on September 16.

Trading places

Merrill Lynch FX trio reunited at CIBC

Christian Exshaw, formerly global head of foreign exchange sales, Europe, the Middle East and Africa, at Merrill Lynch in London, resurfaced at CIBC World Markets.

Exshaw rejoined former colleagues Harry Culham and Tim Carrington at the Canadian dealer. He had worked with them at Dresdner Kleinwort before jumping ship to Merrill Lynch in 2006. The trio had all left the US investment bank in the previous 12 months amid wider job cuts following credit market-related losses.

A source revealed that in the time the trio oversaw FX at Merrill Lynch, the business grew from \$225 million to \$550 million, and was underlined at the end of last year to make \$1 billion before they left.

At CIBC, Exshaw became head of global distribution, making this the third time the trio have worked together at the same dealer. Culham started at CIBC as Toronto-based head of fixed income and currencies in May, while Carrington joined mid-2008 with responsibility for all aspects of the dealer's equity derivatives, equity arbitrage and commodities businesses.

Abdullah Malik also joined CIBC as head of business development. In this role, Malik will work closely with world markets senior management and its technology partners to help re-engineer information systems and infrastructure.

Meanwhile, Paul Jenkins joined as head of European interest rate derivatives trading in London. He had most recently worked at Morgan Stanley and Deutsche Bank, where he traded US, Canadian and yen interest rate derivatives during London hours.

Merrill Lynch declined to comment on FX business figures.

Gu takes top role at BoA

It was announced David Gu would become head of rates and currencies after the merger of Merrill Lynch and Bank of America (BoA). Gu had headed fixed income, currencies and commodities at Merrill Lynch in London after the US investment bank dissolved the global head of FX position.

David Sobotka leads proprietary trading, while Candace Browning will head research. Brent Clapacs will join Gu in overseeing Europe, the Middle East and Africa. Yasuhiro Fujiwara and Michael Halloran will head Asia-Pacific markets.

Mike Meyer of BoA will be deputy head of global markets and report to Merrill's Tom Montag, who was announced as head of global markets on October 22.

All new roles became effective from the legal day one of the new combined company, which was expected to be on, or just after, December 31.

December

Forex forwards bounce back as year ends

LONDON & NEW YORK - Efforts by global central banks to boost interbank trading reaped rewards, with short-dated foreign exchange forwards basis falling sharply as the year came to a close. However longer-dated tenors remained a concern, fuelling demand for the products to move on exchange.

Three-month EUR/USD FX basis fell to around 25 basis by mid-month from five times the level at the start of December, when it traded at 120 basis, according to data from JP Morgan.

"This is a very significant normalisation in the basis, as about 20 basis is as close to normal as one could reasonably expect," said a London-based forex strategist at a global investment bank. "There now seems to be a lot more confidence that, with the year-end passage, there is not going to be a repeat of what we saw in September."

The Federal Reserve has implemented \$500 billion in FX swap lines with other central banks, which is more than twice the level available at the end of the third quarter. Similarly, the European Central Bank also increased funding to more than \$250 billion in the third quarter, which is much more than the approximately \$90 billion available before September.

However, one London-based senior FX forwards trader said concerns still remained for longer-dated tenors. "Forwards prices have come in significantly from the prices in September and October, when volatility was largely due to concerns about what would happen at the year turn," he said. "Collectively, central banks have done a lot to make that turn liquid, but it is still not very liquid after three months. At times I have wanted to do something in the not-so-liquid longer tenors and it is difficult to get a price."

Currency strategy high continues

LONDON - Currency strategy indexes reported success for managers, with the Royal Bank of Scotland and the Parker FX Index reporting solid returns for November and October respectively.

RBS's naive simulations of currency strategies found the short volatility strategy gained the most during a month of high intra-month volatility. The strategy was up 15.4% but made a loss of 7.2% on a year-to-date basis and a loss of 2% in the previous 12 months.

The Parker FX Index generated its largest monthly gain in October since 2003, returning 2.53%, in a month that saw dollar appreciation continue.

Of the 71 managers reporting into the index, 46 were up while 25 incurred losses. On a risk-adjusted basis, the index was up 0.99% in October. The median return for the month was 1.35%, while the performance for the month ranged between -6.71% and 32.70%.

Offshore króna market slow

REYKJAVIK - The offshore market in Icelandic króna remained illiquid despite a loosening of capital controls, as liquidity providers stayed out of the market.

The country's central bank, Sedlabanki, relaxed capital controls, enabling certain companies to convert króna funds into foreign currencies from December 16. The controls were introduced to stabilise the króna at the end of November and curb outflows as the economy fell.

However, steady progress on the IMF-backed programme to stabilise the economy led to greater convergence between onshore and offshore rates, said Antje Praefcke, currency analyst at Commerzbank in Frankfurt. On December 17, EUR/ISK traded at 172 in the onshore markets and between 210 and 230 in the offshore market. The week prior, the offshore market was trading at around 300 króna, and the onshore at about 165 króna.

Trading places

Morgan Stanley merges global FX and EM

Morgan Stanley provided further details about its new-look global foreign exchange and emerging markets business, which came into effect on December 1.

The new group encompasses rates, credit and FX, and is headed by Steve Mettler in New York. Mettler was previously global head of FX. His new deputy is London-based Marcin Wiszniewski.

The bank said the decision to merge the teams was taken due to "significant overlap" between the divisions, including investor and product convergence. The US bank said the move will also allow better risk management for itself and its clients.

As part of the changes in London, Sarah Edgington, who was European head of FX, became European head of sales. Steve Glynn relocated from the capital to Hong Kong to undertake a role as head of Asia trading. He was formerly head of European spot and forwards FX trading. Glynn is working alongside Yuki Hashimoto, who heads Asian sales for the new business. Previously, Hashimoto was head of FX sales for the Asia region.

In New York, Jens Andersen is head of Americas trading and Tom Haskins head of Americas sales. Andersen was previously head of FX spot and forwards trading, while Haskins was head of emerging market sales.

Morgan Stanley declined to confirm any job losses related to the restructure.

Davidson gets key BoA role

Cameron Davidson was appointed head of global currencies sales at the merged Bank of America (BoA)/Merrill Lynch entity.

Davidson has held the same post for Bank of America in New York and remains based there in the new role. BoA has set a closing date of January 1 for the takeover of Merrill, at which point all new roles become effective.

His reporting line will be to Mike Meyer, who was named deputy head of global markets in November.

Monahan ends six years at Icap

Mark Monahan, chief executive at Icap's electronic business in the Asia-Pacific region, left the firm at the end of the year.

Monahan confirmed the contents of an internal email that said he decided to leave Icap on December 31 when his contract expired, ending a six-year career at EBS/Icap.

Monahan joined the firm as global head of sales and service for EBS and was responsible for the sales of key products such as EBS Live, EBS Prime for banks and EBS Prime for non-banks, which helped expand Icap's client base to funds.

He handed his direct responsibilities to David Rutter, deputy chief executive at Icap electronic broking in London.

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