

FESE on the credit crisis

At the 12th Convention of the Federation of European Securities Exchanges (FESE), which took place in Stockholm, the newly elected FESE President Spyros Capralos, Chairman of the Athens Exchanges, made the following comment with regard to the credit crisis.

Mr Capralos, incoming FESE President, said:

“The magnitude, extension and duration of the crisis are all elements of concern. We are facing a set of problems that have inter-linked origins and have emerged together to create a crisis that affects everyone. I am convinced that the structure of certain markets and the instruments they trade were at the origins of the crisis and augmented its effects. These markets are generally non-public markets which differ from Regulated Markets in important ways. For example, they have lower transparency standards; they trade complex instruments that may be difficult to value; they operate on a bilateral basis; they might exhibit substantial conflicts of interest; they usually have no obligations on participants to provide liquidity; and they use trading technology that may not be necessarily advanced. By contrast, the characteristics solidly embedded in the multilateral Regulated Market model operated by FESE’s members provide a transparent price discovery process offering better investor protection, neutrality and independence in treatment of participants, robust technology, monitoring and surveillance of trading. That is exactly why Regulated Markets have been by and large outside the origin of the crisis. Although public and private markets exist to serve different and legitimate functions in the economy, the crisis has made it clear that private markets pose a different magnitude of risks and therefore have a different impact on the public interest. This difference may not yet be fully understood. Better understanding of these risks is needed, because the EU is constantly faced with new policy questions that require a judgment on how to balance the benefits and risks of the different models.”

FESE

The Federation of European Securities Exchanges (FESE) represents operators of the European regulated markets and other market segments, comprising the markets for securities, financial derivatives and energy and commodity derivatives. With 24 members, FESE represents close to 40 securities exchanges from all the countries of the EU, Iceland, Norway, and Switzerland. Through its members’ activities on a global scale, FESE enjoys links with the regulatory community and industry from around the world.

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