

**Emerging Markets Forum
SFOA Annual Meeting, Interlaken
September 3rd to 6th, 2008**

As in previous years, the Special Emerging Markets Forum (EMF) was organised under the joint auspices of the Association of Futures Markets (AFM) and the Swiss Options and Futures Association (SFOA).

Now in its 11th year and busy frequently welcoming new members, AFM goes from strength to strength. An excellent number of participants at this years' EMF was not disappointed with panel discussion, questions and answers that more than lived up to the sumptuous setting for this years' meeting: arguably one of the finest Swiss hotels, the exquisite Victoria-Jungfrau Hotel in Interlaken.

Before discussion got underway, SFOA Chairman Paul Meier opened the EMF with the news that an AFM Board meeting the evening before had decided that AFM would return to Budapest, Hungary, for the 12th Annual Conference between March 4th and 6th 2009. Mark your diaries indeed as Paul advised.

**Roundtable 1:
The Future of Emerging Markets in the Tundra of Behemoths**

Rod Gravelet-Blondin of JSE Limited, South Africa, opened the discussion by explaining that his instinctive reaction to the cryptic title of the roundtable had been to submit "Tundra & Behemoths" to the Google search engine. The result had been some interesting but not very relevant references to the Toyota Tundra which, according to Rod, was a variety of pick-up truck manufactured by Toyota.

In the exchange industry context, Rod pointed out that population of exchange behemoths had substantially grown in recent years, but that that had been accompanied by a similar significant growth in emerging markets (EMs).

Roundtable participant Simona Simon of Eurex Frankfurt AG responded that yes there was a future for EMs in an exchange space were it was correct to say that established exchanges had grown substantially in recent years. Simona was in permanent contact with the exchange industry and its representatives throughout the Central and Eastern Europe (CEE) region. There were several success stories to report from there, for example Warsaw Stock Exchange (WSE) and Romania's Sibiu Exchange (SIBEX).

Ang Swee Tian of the Singapore Mercantile Exchange (SIMEX) responded to the roundtable title by saying that there was certainly a future for emerging exchanges. Smaller, emerging exchanges were able to capture new growth. An example of an

initially small exchange that had gone through stellar growth was Multi Commodity Exchange (MCX) India. Together with FT India, MCX had become huge by riding on the economic growth in the countries in which the two organisations were active.

With characteristic quick wit, CME Group's Robert Ray pointed out that it was not true that established exchanges had been inactive in emerging markets. "We've also been busy!" Robert joked.

When it came to the relationship between external business organisations, governments and regulators in emerging regions, Robert quoted the late 55th Speaker of the US House of Representatives, Thomas Phillip "Tip" O'Neill, Junior, who had once observed that "all politics was local".

Ian Goggin from the Agricultural Exchange for Africa saw that behemoths in the exchange industry created opportunities rather than threats to smaller exchanges. When it came to market transparency however, Ian reported that there unfortunately many parts of Africa, not including South Africa, where transparency was not desired.

Drawing on his unique and distinguished experience and achievement in the exchange business, Otto Nägeli of OIC – Options Industry Council added, with reference to his part in setting up Swiss Options and Financial Futures Exchange (SOFFEX) and Eurex, that it should be noted that the [now] established exchanges were themselves once niche, small exchanges.

Roundtable 2: Education – Learning to Grow

Chair Karen K. Wuertz, of National Futures Association (NFA) opened the roundtable by asking panellists what education meant for them.

Professor Jean-Pierre Danthine from University of Lausanne explained that at the Swiss Finance Institute training was provided for the "top of the pyramid" when it came to the skill sets required in the finance industry. Jean-Pierre highlighted the main success factor as being collaboration between industry and academia.

National Commodity & Derivatives Exchange (NCDEX) Limited's Ramalingam Ramaseshan informed EMF participants that the educational activities of his company were focused mainly at investors and exchange users. If an exchange wanted to create long term sustainable business users needed to be attracted to trading on exchange.

Professor John Board, ICMA Centre, UK, spoke about the relevance of education in emphasising the degree of growth within the finance profession. When it came to particular needs in financial education John suggested that courses and programs specially designed for regulators were something he thought of great importance.

SFOA Board member, Pat Catania, revealed that exchanges should have a hard look at the gains from education and customise educational programs according to particular needs.

Roundtable 3: Accessing Emerging Markets

MCX Africa's man in Africa, Adam Gross, related to the EMF that MCX had identified that there was a substantial pool of potential exchange users who were not being addressed by established exchanges' business models. MCX were now looking at the whole "commodity chain" in its business development.

Representing IKON Global Markets, Diwakar Jagannath explained that his organization saw it as their role to make markets in emerging markets. This facilitated the process of efficient price discovery Diwakar continued.

Drawing on extensive business development experience from within a wide and varied customer base, Alexander Lamb from RTS, Real Time Systems mused that customers wanted everything tomorrow! RTS had once built a one-off piece of software for Dublin based users of the Deutsche Börse AG Xetra electronic trading system. There were only eight members who were capable of using the product. This highlighted a good example of business development which was "a nice thing to do", but did not make economic sense and would not be done again.

Giving some short background, Udi Sela of Super Derivatives, London, informed EMF participants that his organisation was rooted in over the counter (OTC) markets. Super Derivatives now had a global network of business hubs.

Udi continued with an example of how emerging markets can be initially underestimated. A Super Derivatives senior sales executive had approached the CEO quite some years back and had suggested that India was going to be a very important market to be active in. The then Super Derivatives CEO had countered that no, India was not important. Acknowledging that his sales executive had exhibited initiative, the CEO agreed however that the sales executive could initiate an India Project in his "free time". In the present day, India was now one of Super Derivative's biggest markets.

An informed and illuminating question from Contago Market's David Setters was then posed to roundtable members: how should it be decided when to open up small, local markets to international investors.

MCX Africa Adam Gross suggested that there was no single recipe as to when local markets should be internationalized. Each market was different, had different products, a different role to fulfil and a different structure.

Finishing up the roundtable and 2008 EMF discussion on a light note, Adam continued that there was one thing which was worse than being exploited by global capital. It was *not* being exploited by global capital.

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