

## A New Challenge for Romanian Bankers - Derivatives

A very interesting and challenging seminar took place between 21 - 23 January 2004 within the Romanian Banking Institute. The general framework of the seminar was based on *money market and foreign exchange market transactions*, but the underlying concept introduced to Romanian bankers was that of derivative instruments. The two lecturers, Mr. Jean Pierre Doumont and Mr. David Missenard were so kind as to give us more information on their seminar.

**Reporter:** You are going to be here, in Bucharest, for three days in order to deliver a seminar to Romanian bankers. What could you tell us about your first contact with the Romanian culture and environment?

**J.P. Doumont:** For me this was the first contact with Romania, whereas David had already spent ten days in Bucharest in March 2003. Our main impression is that Romania should make a better promotion of Bucharest and, generally speaking, of its culture. We absolutely enjoyed Bucharest, this city full of history and contrasts. A lot of cities in the world barely succeed in keeping an identity while mixing history and future, but Bucharest achieves this goal.

**Reporter:** Your seminar deals with money market instruments and foreign exchange market instruments, especially with derivatives. Why do you think that this topic is of interest to bankers (especially to those in Romania)?

**David Missenard:** Since the 80's we have observed tremendous changes in the financial market in terms of risk, products and trading volumes. The fundamental element of a bank remains its customer base (just like in any other company) and exposures have to be managed. When we talk about exposure, we talk about foreign exchange risk, interest rate risk, credit risk, etc. Thus, the wide range of products we present should help in managing these exposures and even take advantage of market arbitrage. Furthermore, banks' customers also evolve and there is a tough competition to keep customers and increase market share through offering new products. These innovations are always based on the instruments that we describe. So, our seminar is not only for front-office and back-office workers but also for risk managers and private bankers. Everybody in the bank has to understand global financial markets.

Talking more specifically about Romania, the situation evolves very fast and even if today the local market is not using derivative products, we can bet on their introduction in the very near future. Romania will also join the euro zone and then it will adopt the euro as its currency. Then, Romanian banks will have to compete with foreign banks and consequently will have to offer the same quality of services and products.

**Reporter:** Taking into account everything that you have mentioned so far, what are the objectives of your seminar?

**David Missenard:** Our seminar has three main goals:

- 1) Introduce, develop and explain the use of financial instruments from theoretical approach to practical use;

- 2) Emphasise their use for trading, hedging and arbitrage purposes while insisting on the risk attached to them;
- 3) Open minds: make people understand that markets are global and everything is very closely tied together. Even if you have to trade a very specialised product, you cannot do it without taking into account a global environment.

**Reporter:** Are you thinking about continuing the relationship with the Romanian Banking Institute for further seminars?

**J.P. Doumont:** As we have been sent by ATTF Luxembourg, only our employer can decide if we are to come back, but from our personal point of view, we would definitely want to come back to Romania for the following reasons:

- the quality of the participants: we enjoyed our time during the seminar due to the kindness of the participants. We had a very lively audience and this was absolutely essential to us: our subject is often technical and we need to establish a real contact to make our points very clear through interactive relationship.
- the quality of the organisation: we have not been treated like this for a long time. Everything was managed in a very efficient way. We were very satisfied with accommodation, transport, classroom, translation. Moreover, we had the opportunity to appreciate the global running of the RBI under the leadership of Prof. Dr. Lucian C. Ionescu.
- the country: as we have already mentioned previously, we have a strong personal feeling about Romania and we would like to spend more time in your beautiful country.

**Reporter:** We are looking forward to your coming back to Romania as soon as possible for further collaboration with the Romanian Banking Institute to the benefit of the Romanian banking system!

