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The human race has the ability to take charge of its own destiny. This has proven to be detrimental in some cases but at the same time has also been the driving force since the creation of the earth. Financial markets emerged with the first barter trade when man exchanged surplus goods for other needs. In ancient times coins and later on notes have been invented to facilitate trade finance. And yes, at that time the first foreign exchange traders emerged!

Long gone are the days when we had to do physical trading to exchange surplus liquidity in one currency for deficits in another as bank transfers are now common around the world. Central banks would also like to see a decrease in the float of currencies in the system as the cost is huge, and black market practises would decrease.

When ACI celebrated its 50th anniversary last year, publications commenting on the evolution of our profession mentioned many of the trends we experienced. Ever faster markets are now driven by increasing use of new technologies that bring all products traded in the financial markets around all corners of the world.

Regular readers of this publication will have noticed the increasing number of articles about electronic trading and many firms are making significant efforts to promote their electronic trading portals. In the exhibition hall of last year's ACI World Congress in Sweden many vendors offered their electronic solutions to the delegates. And at the coming ACI World Congress in Manila the same will happen. Markets are increasingly global and electronic trading systems facilitate globalisation.

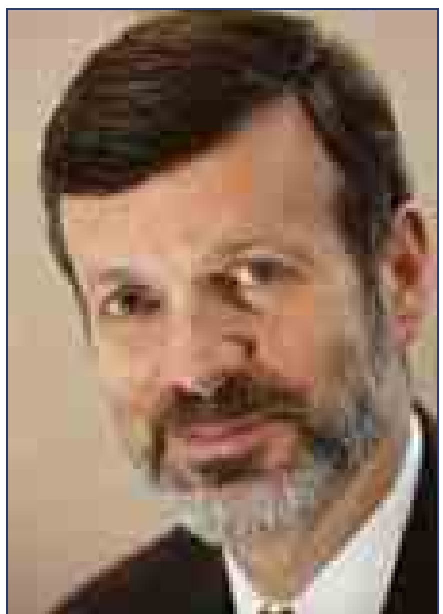
So where is it all to end? When the first foreign exchange electronic systems came to market, many of us thought this wouldn't last. Subsequently, many other products have been introduced into our markets from the simple money markets instruments up to various derivative products. Clearly, many more products that become commoditised will be added to these platforms. It's not impossible that machines will overtake some of the basic functions now performed by human beings.

If one looks at the population in dealing rooms, the profile of traders has changed. Gone are the noisy spot traders of the early days, people are experts on "mouse" manipulations these days. We now have systems that combine voice trading and electronic trading. Highly educated traders are increasingly a much looked for asset as they are capable of handling the most sophisticated products. As these products become easier to capture by systems, they will be added to the range of fully electronically traded products by the same individuals.

This is further induced by other factors. The highest cost of running a bank has always been human resources, electronic trading has meant job losses in a number of areas. Many associations' membership numbers have decreased as a direct result of this electronic evolution. Support staff are also decreasing as straight-through-processing has suddenly moved from straight-to-the-printer to full information flows into the records of the banks and automatic generated payment instructions. The increasing use of CLS for FX related transactions and the potential increase in the use of Central Counterparties for many other products will intensify the use of ever more sophisticated electronic applications. Job creation will still happen, but this time on the IT side.

There are clear dangers as well and sometimes we should really think about what we are doing. On the internet individuals have the opportunity to do their own trading in currencies, shares, commodities etc. Fraud is always lurking around the corner and we have seen some scandals in the past. The central banks and regulators clearly have a huge task to protect the retail market participants from abuse. This is a challenging task that most of them have only just started to think about.

In this field, the challenge to us in the financial industry is clear: continue to add value by streamlining the costs of operations and efficiency, while pushing up the profits as required by our shareholders. But also create a safe environment that protects the retail investor from any abuse. Let us continue to click with our mouse but build in the necessary safeguards to protect our profession.



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