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OTC Derivatives Reactions

There's been a mixed reaction to the Obama Administration's [over-the-counter derivatives proposal](#):

Ira Kawaller, President, Kawaller + Co., and Manager of the Kawaller Fund: "In general, I applaud the call for centralized clearing and greater oversight. However, the devil is in the details, and I worry about regulation that could serve to constrain prudent risk management activity."

Paul Lennox, Vice President and Treasurer at Custom House:

Introducing "rules of the game" for participants, who are typically financial entities subject to regulation on so many other fronts, is long overdue. The proposed OTC rules will bring an element of the discipline, visibility and security of the exchange traded markets (predominantly the CME for currencies) to the secretive and adventurous inter-bank currency market. In short, the rules will largely protect participants from themselves.

Bob Park, President and CEO, FINCAD: The positive outcomes that could result from reform of the OTC derivatives markets include:

- Increased transparency into market prices, counterparties' exposures and deal flow
- Significantly greater protection against systemic risk
- If done correctly, less potential for market manipulation.

This will impact the way treasurers conduct their hedging activities, the capital they need to allocate to it, the processes they will need to have in place, and the systems they will need to track and account for their hedging activities.

Look for more reaction in the upcoming issue of [AFP Exchange](#).

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