

P.R.I.M.E. Finance Young ICC – Skills Workshop

Introduction to Capital Markets



P.R.I.M.E. FINANCE
Panel of Recognised International Market Experts in Finance



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What Is a Capital Market?

- A capital market is a source of funding for:
 - Businesses
 - Governments
 - Individuals
- A capital market is a place for savers to invest their savings
 - Individuals
 - Asset managers (including mutual funds, pension funds, insurance companies)
 - Governments
- Intermediaries
 - Banks/Investment banks
 - Exchanges
 - Internet?



Savings Rates and the Allocation of Capital

- Savings are a scarce resource
 - What is an appropriate savings rate?
- Allocation of capital
- Efficiency in the allocation of capital may be as, if not more, important than the savings rate



Capital Markets in History

- Capital markets are not new
 - They existed in ancient times
 - Globalization has been occurring for centuries

- Globalization
 - The importance of communication and transportation links
 - Bretton Woods (1944) – the development of international financial institutions and a rules-based international order
 - Derivatives – the first capital markets product to develop as a global product in a global market
 - Basel Capital Accord (1988) and G-20 Pittsburgh Summit (2009) – the development of international regulation



Civil Society, Rule of Law and Finance

- Capital markets require rules and regulations
 - Enforceability of rules
 - Fairness of enforcement
- Capital markets depend on:
 - Enforceability of contracts
 - Predictability of outcomes
 - Fairness of dispute settlement
- Striking the right balance between safety/order and efficiency/economic growth



Rick Grove

Rick Grove is a Partner and the Chief Executive Officer of Rutter Associates LLC, the New York based financial markets risk management consulting firm. Rutter Associates' consulting practice encompasses a wide range of financial markets risk management and valuation advisory work for financial institutions, corporations and regulators in the Americas, Europe, Asia and the Middle East. In addition to managing Rutter Associates, Rick's own practice focuses on derivatives and structured credit products. He has acted as a consultant and expert on a variety of disputes being mediated, arbitrated or litigated in New York, London, Hong Kong, Singapore and Taipei.

Rick has spent over 30 years working in the financial markets, as both an investment banker and a lawyer. From 1997 to 2001, he was the CEO of the International Swaps and Derivatives Association (ISDA). Following ISDA and before joining Rutter Associates, Rick was a Managing Director at Bank of America, co-managing the Global Commodity Derivatives Group. Prior to joining ISDA, he worked as a marketer in the fixed income and derivatives businesses at Paribas Capital Markets and headed the Financing Desk and the Fixed Income Syndicate Desk in New York. Rick originally joined Banque Paribas as General Counsel of Paribas Corporation after practicing capital markets, mergers & acquisitions and general corporate law with Cravath, Swaine & Moore in New York and London.

Rick is a member of the panel of experts of P.R.I.M.E. Finance, the financial markets dispute resolution service based in The Hague. He currently serves as Senior Advisor to the American Bar Association's Task Force on Financial Engineering for Economic Development. He has served on the CFTC's Global Markets Advisory Council and the World Bank's Financial Markets and Development Conference Advisory Board. Rick has chaired ISDA's U.S. Regulatory Committee and has testified about the derivatives markets before the U.S. Senate and U.S. House of Representatives. He has served on ISDA's panel of experts for credit event determinations.

Rick authored "*Valuation in the context of derivatives litigation*" in the April 2011 issue of the *Oxford University Capital Markets Law Journal* and a chapter entitled "*Overview of Derivative Products*" in *International Financial Disputes: Arbitration and Mediation* (published March 2015 by Oxford University Press). He has taught classes on derivatives, structured credit products and risk management at Columbia University, Fordham Law School, New York University, Princeton University, the University of St Andrews, National Taiwan University College of Law, the U.S. Commodity Futures Trading Commission in Washington, the Practising Law Institute in New York, the Bank of China Institute for International Finance in Beijing, China International Economic and Trade Arbitration Commission (CIETAC) in Beijing, and for banks and law firms in New York, London, Amsterdam, Brussels, Hong Kong, Singapore, Stockholm, Taipei, Tokyo and Washington. Rick has conducted training sessions on the economics of financial markets transactions for the judges of the Australian Federal Courts in Sydney and Melbourne, the judges of the Supreme Courts of the states of New South Wales and Victoria in Australia, the justices of the Delaware Supreme Court and Delaware Chancery Court (USA), Chilean judges at the Instituto de Estudios Judiciales in Santiago (Chile), Romanian judges at the Institutul National al Magistraturii in Bucharest (Romania), the justices of the Singapore Supreme Court and judges in Taiwan at the Judges Academy.

Rick is a member of the International Institute for Strategic Studies (IISS) in London, the Atlantic Council in Washington, the bar of the State of New York, the American Bar Association's International Section, the International Advisory Committee of EcoPeace Middle East and the Board of the University of St Andrews American Foundation. He is President of the Board of Directors of the U.S. Friends of the IISS.

Rick received his J.D. *magna cum laude* from Harvard University, where he was an editor of the *Harvard International Law Journal*, and his A.B. *summa cum laude* from Princeton University where he was enrolled in the Woodrow Wilson School of Public and International Affairs.



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Rutter Associates

Rutter Associates is a leading financial risk management consulting firm. The firm's areas of expertise include:

- assessment and management of market risk, credit risk and liquidity risk associated with financial market positions and transactions;
- valuation of financial assets and liabilities, including derivatives and complex structured credit products;
- investment portfolio risk/return analytics and processes;
- model development, review and validation;
- analysis of derivative hedge effectiveness, asset replication and income generation;
- regulatory examinations;
- financial market forensics, investigations and dispute resolution support; and
- training and education.

Since its founding in 1999, Rutter Associates' clients have included global and regional banks, asset managers, insurance companies, industrial companies, government agencies and regulators and financial market industry associations and utilities. The firm's clients include leading financial institutions and others in Australia, Canada, China, France, Germany, Israel, Japan, Korea, Mexico, the Philippines, Singapore, Sweden, Switzerland, Taiwan, the United Kingdom and the United States.

Rutter Associates is led by Rick Grove (CEO), Bob Selvaggio (Head of Analytics) and Charles Smithson (Founding Partner), each of whom has more than 30 years of experience in the financial markets. A team of highly talented mathematicians and engineers rounds out the firm's full-time professional staff. The team is complemented by a diverse group of leading academics and retired financial markets executives who devote part of their time to working with the firm's clients.

Rutter Associates maintains close ties to the financial industry and has been active in various industry associations, including several benchmarking and sound practice development exercises. The firm also maintains close working relations with regulators and academics. Members of the Rutter Associates team are frequent lecturers at educational conferences and have published numerous books and articles on issues relating to risk management, valuation and financial market industry practice.



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