

***INTERVIEW: Metals industry must unite on regulation, says Lavelle

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The metal industry must come together to lobby on issues of regulation if it wants to affect the laws and rules that will affect it, Brady ceo Gavin Lavelle said.

“As an industry we need to work together. We need to be lobbying as a group. The metals industry is quite fragmented in its approach, I believe a more co-ordinated approach increases the chances of a more favourable outcome,” Lavelle told MB.

Increased regulation is unavoidable as politicians find themselves in a position whereby they have to take measures to avoid a repeat of the crisis in 2008 that was triggered by the failure of over-the-counter mortgage-backed securities and the collapse of Bear Sterns and Lehman Brothers.

“If you think nothing is going to change you’ve got another thing coming,” Lavelle said.

“When we’ve had the kind of shock that we have had it is inevitable that politicians will get involved.”

Metals markets may become the unintended victims of legislation, market participants told MB this month, noting that costs are likely to increase.

Increased regulation will drive up the standards required for compliance and there is an associated cost associated with that, Lavelle said, cautioning that the market "should not underestimate the situation".

Ultimately regulation is there to protect people and the industry needs to embrace it. Metals market participants will have to be prepared for the regulation to come, he added.

“Invariably regulation requires more visibility; that will require new reports, new processes and new policies. As a software provider our job is to facilitate that reporting. It’s cheaper for us to write a report than it is for each member writing individual reports,” Lavelle said.

The threat of increased regulation comes as the amount of trades being conducted electronically rises. This has its advantages, according to Lavelle.

“If you send an order in electronic form you immediately have an auditable account, it’s a much more controlled environment than chatting over the phone and scribbling notes on bits of paper,” Lavelle said.

Some metals market participants have been resistant to the rise in increasing popularity of electronic trading, stating that there will always be an appetite for the manual trading that takes place on the LME floor and through account executives.

“The guys who are against electronic are usually the guys sitting in the pit. If you talk to the clients they want cheaper, faster, more efficient processing and computers can process thousands of orders simultaneously,” Lavelle countered.

Lavelle attributes his confidence to his background in equities and bonds, markets he saw go electronic ten years ago.

“Those who don’t see further electronic uptake have got their heads in the sand,” Lavelle countered.

In the wake of the recession and ahead of increased regulation people will be focussed on areas of efficiency.

“There has been a huge change. The message is if you don’t get with it you’ll get left behind,” Lavelle said.

Discussions during LME week focussed around the recovery of the market as producers make money and innovation continues.

“I think the over-riding feeling during LME week was positive. We’ve come out of the worst crunch in our careers,” Lavelle said.

The developments by the London Metal Exchange over the past year such as the launch of its new warrant system, Sword, and the new cobalt and moly contracts should give confidence to the market, according to Lavelle.

“I’d say from a technology point of view that congratulations are in order to the LME. There was a lot of scepticism that Sword wouldn’t be successful but the LME defied the sceptics,” Lavelle said.

Brady signed up Bulk Trading International (BTI) to its trading and risk management software for the company’s coal and base metals trading activities on Monday.

“We’ll be announcing more deals soon,” Lavelle said. “We’re busy closing the year down, Q4 is a busy time for us.”

BTI follows Sucden Financial who signed up with Brady in January while Xstrata Copper agreed to roll out Brady’s risk management technology across its operations and projects in July.

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