

Preface

The idea of a book on global financial markets came to me when I hit the problem of recommended reading for candidates coming from the continent of Europe to one of our courses.

Since the course in question was about the markets in general, books called ‘How the City of London Works’ (or similar titles) did not exactly answer the problem. This was particularly true when we found ourselves facing audiences from the former Russian republics and from Eastern Europe.

It seemed to me that there was a need for a more general book about the global markets as a whole, as opposed to one about markets in one particular country such as the US or the UK. In any case, the financial world is becoming more integrated and global in its operations. A parochial knowledge of just one country is proving less and less satisfactory. This book seeks to answer this need.

Having said that, the book does not attempt a systematic coverage of the markets in all countries. Such a book would be far bulkier than this one and, probably, unreadable! Instead I have usually concentrated on examples from the US, the UK, Germany, France and Japan, with the inclusion in the 5th edition of a chapter on the new tiger economies of China and India. From time to time, illustrations will also be given from markets such as the Netherlands, Spain, Italy and Switzerland. The aim is not only to give a basic idea of how the markets work, but also to show the diversity of customs and practices within a common theme.

The book should prove useful for those preparing for a variety of examinations (MBA, banking, finance, economics and business studies), those working in banking and financial institutions in a support role (computer staff, accountants, personnel, public relations, back office and settlement) and, finally, staff in the many suppliers of information and computer services to the financial markets (computer manufacturers and software houses, Reuters, Thomson Financial and so on).

The first edition came out in 1993 and, while each subsequent edition has been brought up to date, it has sometimes seemed appropriate to add completely new chapters. Thus, the third edition added a chapter on European Economic and Monetary Union and this edition has, as mentioned, a chapter on China and India. In view of their growing influence, we have also included a chapter on hedge funds and private equity.

Apart from these new chapters, the fifth edition has new or expanded sections on credit derivatives, Islamic banking, the Sarbanes-Oxley legislation and hybrid bonds. The current situation in the EU following the rejection of the constitution is discussed as well as recent directives, such as The Markets in Financial Instruments Directive (MIFID). The last chapter reviews current trends.

Finally, for this edition we have introduced something new – the Companion Website – and this is explained on the next page.

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