

# Week 7

Business



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Secret Banking Elite Rules Trading in Derivatives I agree that the cost of trading derivatives should be made public and should be required to be regulated. It seems fraudulent that the fees are hidden and that one powerful group has control over the entire derivative trade market. I believe that the derivative market should be subject to competition just as every other facet of business is. There should be organizations taking them on. These organizations should strive to get politicians on their side so that there can be fair debate within the political arena in order to get the derivative market regulated. This seems to be to be like a secret society of sorts with the requirements being you must be rich and powerful within the world of finance. The fact that these nine people can change the prices, policies and procedures at any time to benefit themselves is wrong when it comes to the public trading arena. While the entire finance world has to goal of making money for their company and themselves, it should not be done to the detriment of the consumer. The consumer needs these products and should have the right to all of the cost information since they are paying for it and they should be entitled to these prices upfront and should be accompanied with an explanation if asked for one by the consumer. In short, there needs to be some oversight and regulations.

2. I do not believe that the secrecy in the derivative market should be allowed to continue. Something should be done to create transparency. I agree that buyers and sellers have a responsibility to learn about how derivatives work, but if the fees are kept secret, that is a problem. How can buyers and sellers be expected to participate if they don't know all the costs? The trading of derivatives should be transparent in terms of costs and should not be managed by just a few who can make policies and procedures, <https://assignbuster.com/week-7-essay-samples-2/>

as well as set the fees, for their own benefit. In any other industry, the costs of the product or service are made public to consumers and then consumers can determine what or if they purchase. There is no reason that the derivative market should be any different. I can understand that the nine people controlling this market would like to keep it so it benefits them and their companies; however, it is not good for the American public. It is taking advantage of people. This seems like it should be illegal. There are laws and regulations preventing this in other industries so why is the derivative market different? There doesn't seem to be any reason why this market is so secretive other than it has been allowed to proceed that way. It makes me wonder how many other industries and organizations are ran this way and what other fees as a consumer I don't know about.

3. Personally, I think that the costs are more of an issue than who can participate in the selling of derivatives. I think it is fair for businesses to have a unique product which can be bought and sold. I don't believe it is fair for buyers and sellers not to know the fees. If the organization is concerned about people knowing how to interpret the differences in costs and fees between various entities, then there needs to be informational documents, training webinars and videos, brochures, classes, etc. that can eliminate that issue. It would then be up to the consumer to educate themselves, but with hidden costs, the consumer can't know all the information that they need. I am all for having educated consumers, but it seems as if this market does not allow the consumer to be educated. There are too many secrets that prevent it. It seems as if secrecy among the nine powers that be is what they are striving for. It seems as if too much public information could hinder their control of the derivative market, so they want to keep information tightly

controlled.

4. One other alternative would be for banks or other organizations to create their own form of derivatives. This would provide some competition. They could provide a similar product and make their costs public and publicize their product and their fees in addition to promoting the fact that their product includes a transparent cost for all to see. The current derivative market needs competition to make it fair for the consumer. Of course, it is not a requirement for all businesses to have competition, but in this case, if there was competition, it would eliminate the secrecy and cost controlling of the current market.

Another idea would be for organizations to band together and create a campaign to regulate the derivative market. Before reading this article, I was not aware of the market or how it is ran by only a select few. If the American public knew this was going on and got their local politicians involved, this issue would be brought to the forefront and there would be enough pressure that government would have to deal with the issue. The goal should be to regulate the derivative industry.