

OTC derivatives aren't suitable for majority of investors

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From Mr Christopher Whalen.

Sir, Gillian Tett deserves thanks for asking which investors are sophisticated enough to employ over-the-counter derivatives and structured assets ([“Transatlantic losses spark a sophisticated financial debate”](#), Insight, March 19). Since these instruments are deceptive by design and are originated under the private placement rules for professionals, the answer, alas, is none at all. The other way to say it, using American legal parlance, is that OTC derivatives and complex assets are not suitable for the vast majority of investors, especially public sector agencies. To restore order to our markets we need to take seriously and enforce rules such as suitability, and even affirm that all agents in a transaction have a duty of care to the counterparty, whether retail or “sophisticated” institution. Imagine that!

Christopher Whalen,
Croton-on-Hudson, NY, US

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