

# Preventing the 'plunge'

A high-level committee behind the scenes fought against market meltdown

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[The Observer](#)

The dramatic drop in the markets last week could have been much worse if it hadn't been for a shadowy committee of some of the biggest names in banking.

Analysts say the Working Group on Financial Markets, nicknamed the 'Plunge Protection Team', was extremely successful in helping co-ordinate a response across the markets when they reopened last Monday.

The team was set up in the late Eighties by Ronald Reagan and came into its own in 1998 when it drew up an emergency response in the wake of the collapse of the giant hedge fund, Long Term Capital Management. In the past it has comprised Fed Chairman Alan Greenspan, US Treasury Secretary Paul O'Neill, the heads of the various US stock exchanges and the bosses of a handful of leading investment banks.

However, this time around no fewer than 35 individuals - including representatives of other central banks - are thought to have been in the team.

The challenge was to agree on how to react to the events. Harmony was in danger of being jeopardised when the members representing investment banks clashed with those representing the stock exchanges, who wanted an early resumption to trading. The banks, for their parts, were concerned that staff and infrastructure were too battered to resume in the same week as the attacks.

Eventually the investment banking lobby won the day and when the markets did open on Monday there was an unprecedented level of co-operation between the financial institutions. Short selling seems to have been kept to a minimum as the banks resisted the temptation to bet on the markets plunging.

Banks which had trouble settling - notably the Bank of New York - were accommodated.

Bron: <http://observer.guardian.co.uk/business/story/0,6903,556360,00.html>