

Don't compound the agony by aggregating the acronyms

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From Dr Paul Dawson.

Sir, Tony Jackson ("[Crazy crises may herald the end of new derivatives folly](#)", December 24) wants to throw out the baby (collateralised debt obligations) with the bathwater (structured investment vehicles). A CDO is an inherently beneficial product, albeit long-term and illiquid. It allows risks and returns to be diversified and customised to the appetites of the investors. A SIV is an inherently explosive device. Using short-term debt to finance long-term, illiquid assets will inevitably blow up, whether the assets are CDOs, aircraft fleets or mineral extraction rights.

Much folly has been seen over the past few months. Let's not add to it by aggregating the acronyms.

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