



EUROPEAN CENTRAL BANK
EUROSYSTEM

OPERATIONS MANAGERS GROUP

25 February 2008
DGM/BAO/2008/20

SUMMARY OF THE OPERATIONS MANAGERS GROUP FRANKFURT - 13 FEBRUARY 2008

1 Introduction

The Chairman welcomed the participants and introduced the new commercial bank members, namely: Adrienne Burke (AIB), Enrico Rescigno (Banca Intesa) Brendon Watson (JP Morgan Chase) as well as the CLS guest speaker Joe Halberstadt. Then, the Chairman announced that the current Secretary to the OMG (Annemieke Bax) was attending this meeting as her last one and that Orazio Mastroeni would be acting as new Secretary to the OMG from this meeting onwards. Moreover, he informed the Group that Heiko Kroeber from Dresdner Bank volunteered to act as deputy of the OMG.

2 Approval of the agenda

The members approved the agenda of the meeting.

3 Operational impact of the financial market turmoil

Ralph Weidenfeller and Etienne Port (ECB) provided some information on the Financial Market Turmoil and the cooperation/discussion in FXCG/MMCG. From a Money Market point of view, the ECB performed more refinancing operations than usual (particularly fine-tuning operations), provided more funds with a 3-month maturity (through two supplementary LTROs) and allowed banks to front-load their reserve requirements (via significant above-benchmark allotments in the MROs). Within commercial banks a general trend was reported by most members towards a drift of payments later during the day, despite availability of collateral only marginally being a problem. Moreover, the processing of erroneous payment instructions specifically in USD has become very expensive. This was attributed to the increasing uncertainty prevailing in the markets during the period. From a FX point of view the USD Term Auction Facility (TAF), never carried out until now by monetary authorities, did not generate particular operational problems (some members reported having to reconfigure SWIFT messaging to deal with the Dollar leg of the operation). The Group concluded that operationally the banking system found no hurdles in dealing with this new type of operation.

Joe Halberstadt (CLS) gave a business update on the challenges facing CLS as FX volumes continue to grow rapidly and specifically on how CLS coped and what was observed during the turmoil. The main concern throughout the period was to maintain CLS performance, which on two occasions necessitated ad-hoc housekeeping/cleaning of cached data in times of peak volumes, and extended deadlines to support members with their own backlogs. He noted that the general growth in CLS volumes has not brought the increased multilateral netting effects in CLS that one might have expected from greater market concentration in CLS.. The consequent growth in Pay-Ins to CLS and associated liquidity management impact is being analysed by the CLS Treasurers Group and Liquidity Task Force, to which all CLS Members are invited

4 SSI's and Trade Confirmations

Following the discussion during the last OMG meeting on the best practices and challenges regarding SSI's and Trade Confirmations, the issue was analysed on the basis of some presentations prepared by members for the current meeting. William Boss (UBS) said some words about improving market performance in FX market confirmations, in particular by improving the quality of matching and reducing the confirmation "noise" in the markets. It was mentioned that OMG members could as a first step analyse how to improve confirmation processes within their institutions. Further work would include developing a priority list of the ideas and solutions to collect data aimed at measuring improved performance. A Task Force on Confirmations was set-up, composed of some volunteer members (UBS, Credit Suisse and HSBC) taking up this benchmarking exercise, that could be delivered by end 2008.

Thereafter Antti Tainio (Nordea) made a presentation on what follow-up could be pursued following the conclusion of the work of OMG SSI Task Force. Proposed future work would focus on exchanging SSIs by exploring the possibility of establishing a new SWIFT message type or accepting SWIFT broadcasts as a valid mean. In addition, the exact details to be exchanged for SSIs on a per instrument/per product basis would be investigated. This triggered a discussion on the use of existing SSI databases and/or tools. A new Task Force was set-up, headed by Heiko Kroeber (Dresdner) and composed of some volunteer members (Nordea, Dresdner and Fortis). The findings also of this Group could be delivered by end 2008.

Finally, Joe Halberstadt (CLS) delivered the second part of his presentation, focusing on non-deliverable forwards (NDF) and gave some indications on how the new CLS settlement service for NDFs provides automation in an environment where little or no standardization existed and now brings more convergence on a global scale while resulting in significant reduction in both cost and operational risks.

5 Next meeting

The next meeting will be held on 20 May 2008 and will be kindly hosted by Banco Santander at their head office in Madrid.

List of participants

OMG Meeting
13 February 2008 at the ECB - Frankfurt

<u>Participant's organisation</u>	<u>Name of participant</u>
ABN Amro	no attendance
AIB Global Treasury	Adrienne Burke
Banca Intesa	Mr Enrico Rescigno
Banco Santander	Mr Jose Muñoz
BNP Paribas	no attendance
Calyon	Mr Laurent Côte
CECA	Mr Pablo Quiralte
Commerzbank AG	no attendance
Credit Suisse	Mr Andreas Gaus
Deutsche Bank AG	Mr Ottmar Ackermann
Dexia-Bil	Mr Christian Glesener
Dresdner Bank AG	Mr Heiko Kroeber
Fortis Bank	Mr Bart Baudewyn
HSBC Bank	Mr Mike Neale
JP Morgan Chase	Mr Brendon Watson
Nordea	Mr Antti Tainio
Rabobank	Mr René Steenhart (Chairman)
UBS	Mr William Boss
Banque Nationale de Belgique	Ms Catherine Specia
Banco de España	Mr Pedro Tejado
Banca d'Italia	Mr Aldo Marinozzi
European Central Bank	Ms Annemieke Bax Mr Orazio Mastroeni (Secretary)
<i>Guest Speaker – CLS</i>	Mr Joe Halberstadt