



EUROPEAN CENTRAL BANK

EUROSYSTEM

OPERATIONS MANAGERS GROUP

02 November 2007

DGM/BAO/2007/180

SUMMARY OF THE OPERATIONS MANAGERS GROUP 16 OCTOBER

1 Introduction

Due to some delay with incoming flights, the Chairman, Paul Dillon, and a number of members arrived a bit later. On behalf of the Chairman, Fiona van Echelpoel of the ECB welcomed all participants and informed the Group about the apologies received and the alternates present. She made particular reference to the number of new members present and invited each to give a brief introduction.

2 Approval of the agenda

The members approved the agenda of the meeting.

3 Selection of new chair and deputy chair

With his term of office drawing to a close, Paul Dillon referred to the invitation to members during the last meeting to consider taking on the Chairmanship of the Group for the coming two years. Paul went on to announce that René Steenhart, Rabobank, had expressed an interest in the position and he presented René's nomination to the Group for endorsement, recalling that René had been an active member of the OMG since February 2005 and, in addition to presenting items to the Group over the years, he has been an active panel member during the Global Operations Managers Conference. On receiving the due endorsement, Paul went on to mention that René's nomination would subsequently be submitted to the parent groups for a formal endorsement. René, on behalf of the OMG, then took the floor to thank Paul for all the work he had done for the Group, specifically with regard to the Global Conference where he noted that Paul was the driving force in the preparatory work and that his continuous and relentless efforts ensured that the conference ran smoothly and maintained the high standards set in the previous conferences hosted by our sister committees in New York and London.

Finally, Paul informed the Group of the departure of Eric Vermeir as Head of the ECB's Back Office and consequently as deputy-chair of the OMG. He praised Eric's contribution to the Group and went on to invite other members to consider a more active role in the work of the Group by taking up the deputy role.

4 Work programme and organisation of activities

Annemieke Bax introduced the revised work programme, explaining that it reflects the outcome of the June meeting, and recalled that it had been circulated to the Group for comments over the summer. Concerning the idea to work on best practice/recommendations, Annemieke reported that she had introduced this idea during her debriefing of the last OMG meeting to both the FXCG and MMCG and she received support from both groups to develop such best practices/recommendations on operational issues. Accordingly, she invited the members of the OMG to provide input for the development of best practices/recommendations and, in this regard, to consider taking on an active role in the work of one of the task forces for the further work of the OMG on the topics of SSIs or trade confirmations. It was highlighted that while the Chair of such special-purpose task forces should normally be an OMG member or alternate, members could nominate expert staff from their respective institutions as Task Force members. One member also noted that the Task Forces may consider addressing a specific aspect of SSIs or trade confirmations given that the general topics imply a wide scope. After a short exchange of views, it was agreed that those members who were interested to participate themselves or nominate experts within their institutions should signal their interest to the OMG Chair/Secretary in the coming two weeks.

5 SSIs and Trade Confirmations – Guest Presentation

The Chairman of the FXJSC Operations sub-group, Leigh Meyer, commenced his presentation by briefly explaining the setup of the FXJSC where 20 -25 banks are represented as well as some service providers such as Reuters and ICAP. The FXJSC has a number of sub-groups on such topics as legal issues and contingency as well as on operations. In the operations sub-group, CLS and SWIFT are also represented. Leigh went on to explain the way in which the work of the FXJSC/Ops sub-group is organized in relation to the updating of the NIPs code and he specifically elaborated on the work performed with regard to trade confirmations and SSIs. Regarding the latter he explained that the topic is more controversial than expected and it is not clear how to discipline the market to accept a standardised and sound STP process for the exchange of SSIs. Members of the OMG also contributed to the discussion on this topic, making reference to certain client groups that never exchange SSIs and/or trade confirmations and the limited possibilities that exist to convince front office staff not to trade with counterparties for which no SSIs are in place. Leigh concluded that there was likely to be another year of work ahead on the subject of SSIs. A further discussion also took place on the need for exchanging separate trade confirmations when trades are made via an electronic trading system.

Finally, the value of best practices/recommendations that are not legally binding was discussed and in general there was a clear preference for ‘self-regulation’. Leigh concluded by emphasizing his appreciation for having a close cooperation among the respective operations managers groups, noting that this should also be facilitated due to the overlap of some members.

6 Presentations from members

Heiko Kroeber presented the organisation of Dresdner Kleinwort's Operations Department. He commenced with an overview of the Allianz Group and the organisational structure of Dresdner Kleinwort, the investment banking division of Dresdner Bank, before elaborating in more detail on the bank's key responsibilities and main products and volumes. Heiko made reference to the specific IT applications in use across the different product groups and the Bank's aims in terms of operational excellence. He concluded with a reflection on the challenges ahead, drawing attention to such aspects as centralisation, IT consolidation, complexity of products, structured solutions and client automation. During the discussion that followed, OMG members invited Heiko to further elaborate on certain points, including the impact of SOX, how the bank handles the need to trade locally in some circumstances and trade confirmation issues. As regards SOX, Heiko acknowledged that this is time-consuming and labour-intensive and gives rise to a need for checking workflows on an ongoing basis. However, it has had no impact on STP. Heiko also noted an increase in flow products over the recent period which has had an impact on back office and has given rise to a need for staff that can create trade confirmations for more complex products. He added that in the area of FX/MM, back office staff often have to service the securities area and require cross-product experience for the drafting of confirmations.

Andreas Gaus presented the recently launched ACI Operations Certificate which replaces the former ACI Settlements Certificate. Andreas explained that in addition to covering specific operational areas such as trade confirmations and the settlement process, the syllabus for the new Certificate also includes such aspects as risk management, compliance, derivatives and more. OMG members were supportive of the idea of including the ACI Operations Certificate as a recruitment criteria, specifically as there does not appear to be other alternatives in the area of FX. However, some practical issues remain to be addressed before such a step could be taken, in particular the fact that only a relatively low number of people have passed the exam – a fact which is considered to be related to the limited availability of training opportunities. Andreas explained that in light of the well-publicised launch of the new Operations Certificate, he hoped for an increase in available training opportunities and consequently in the number of certified staff. He concluded the presentation by thanking the Group for its feedback and was encouraged that members were prepared to promote the Certificate within their respective institutions.

Due to a lack of time it was agreed to postpone a presentation by Andreas Gaus on the internal organisation of the operations department in Credit Suisse to the next meeting.

7 Any other business

Update from the last meetings of the FXCG (4/9), MMCG (27/9)

The Secretaries of the FXCG and the MMCG briefly reported on the last meetings of their respective groups. The members are invited to read the full summaries on the website of the contact groups:

- www.ecb.europa.eu/paym/groups
- Update from the last EFMLG (15/10) meeting

The secretary of the EFMLG, Stephane Kerjeane, informed the members of the discussion on the implementation of the MiFID in the EFMLG. He explained that the EFMLG is considering the possibility of preparing a letter to the European Commission regarding the diverging interpretations across Member States of the MiFID with respect to forward foreign exchange agreements.

- Sibos debriefing

René recalled some of the highlights of Sibos, noting that with the appointment of the new SWIFT CEO – Lazaros Campos - there also seems to be a new strategy. After years of upgrading the infrastructure, the new strategy is to go back to the roots and to put the customer at the core, raising questions concerning the increasing diversity of that customer base and the way SWIFT has so far understood and implemented customer requirements. Touching upon corporate access and after some years of silence, it seems that there is again an interest in discussing issues such as a SWIFT SSI-database.

8 Next meetings

Next years meeting will be scheduled for February, May and October. A schedule with the meeting dates for 2008 will be circulated shortly. Moreover, members were informed about the very kind gesture of Banco Santander to host next years May meeting at their head office close to Madrid.

LIST OF PARTICIPANTS – OMG Meeting 16 June 2007 in CV

<u>Participant's organisation</u>	<u>Name of participant</u>
AIB Global Treasury	Mr Paul Dillon (Chairman)
Banca Intesa	Mr Francesco Manuele
Banco Santander	Mr José Muñoz
BNP Paribas	Ms Sophie Gatellier
CECA	Mr Pablo Quiralte
Commerzbank AG	Mr Roland Kipper
Credit Suisse	Mr Andreas Gaus
Deutsche Bank AG	Mr Ottmar Ackermann
Dexia-Bil	Mr Christian Glesener
Dresdner Bank AG	Mr Heiko Kroeber
HSBC Bank	Mr Mike Neale
JP Morgan Chase	Ms Emma Freeman
Rabobank	Mr René Steenhardt
UBS	Mr William Boss
Banco de España	Mr Pedro Tejado
Banca d'Italia	Mr Aldo Marinozzi
European Central Bank	Ms Annemieke Bax (Secretary)
	Mr Harm Metselaar
	Ms Fiona van Echelpoel
<i>Guest Speaker – Citigroup/ FXJSC Operations Sub-group Chair</i>	Mr Leigh Meyer