

GLOBAL OPERATIONS MANAGERS CONFERENCE FEEDBACK AND FOLLOW-UP

Introduction

On 23-24 April 2007, the ECB Operations Managers Group (OMG) hosted a conference around the topic "Treasury Operations - Striking the balance between efficiency and resilience". The conference brought together over 170 participants and speakers from the international sister committees as well as from various trade associations and infrastructure providers related to the treasury market.

The participants were invited to provide feedback on the various topics discussed, allowing the organisers to identify which topics could have been covered in more detail and which topics would benefit from being pursued in cooperation among the international sister committees.

Written feedback via the conference feedback form was received from 63 participants, and e-mail feedback was received from an additional 10 participants. Overall satisfaction was very good as reflected in the many positive comments received. This paper summarises the feedback received, with a particular focus on the items that might be pursued further in the coming months.

1. Feedback on the conference programme¹

61 of the 63 respondents (97%) rated the conference programme as either "very good" or "good", and none rated the programme as "poor" or "very poor". The response is equally positive when it comes to a) the overall quality of the panel discussions and presentations (98%), b) the conference material (95%) and c) the practical aspects of the organisation of the conference (100%).

A summary of the main areas of response is set out below.

¹ The feedback reflects the view of the respondents, not necessarily that of the organiser.

Ensuring readiness and resilience

While this topic appears to have been particularly well appreciated, a number of participants would have liked a more detailed coverage of resilience in operations. In this regard reference was also made to the possibility of looking into pre-netting of operations as a means of ensuring resilience. A discussion with central banks and supervisors about their role in resilience was also suggested.

Achieving operational efficiency

The topic of achieving operational efficiency received many comments and was again positively assessed. Nonetheless, several participants would have liked to hear more about this topic from the aspect of disaster recovery and business continuity, and taking into account negative aspects, efficiency strategies and results, operational risks (more specifically, how to increase operational efficiency without increasing operational risk and without off-shoring) and how to achieve better STP. Regarding outsourcing, reference was made to the fact that it would have been interesting to get other views and perspectives such as what has worked and what has not.

Reference was also made to the possibility of looking at trade confirmations, finalisation of collateral management, margin and risk monitoring, unconfirmed transactions/confirmations (e.g. how this process could be simplified in the future) and an elaboration of the role of the central banks of the Eurosystem. Dealing with regulations such as SOX and Basle II and requirements from regulatory authorities such as the FSA, BaFIN, etc. were also mentioned alongside the need for resolution of current issues such as those concerning emerging markets (e.g. RUB payments), SSI notifications, volume growth and capacity constraints.

As part of the panel discussion on balancing operational efficiencies and regulatory controls within a changing derivatives market-place, some respondents would have liked a more profound coverage of strategies for reducing operational cost, derivative operations, ideas for real cooperation between operations managers and regulators globally, STP in repo trading from a middle/back office perspective, rules to reduce operational risk in cross border settlement of securities, efficiency in operations (e.g. confirmation matching, pre-settlement, reconciliation), best practice presentations and the legal framework (master agreements, confirmations, e-platforms).

Industry developments

A number of participants expressed interest in a more detailed coverage of TARGET2 and TARGET2-Securities, perhaps including country experiences, although a couple respondents were of the opposite opinion.

The prime brokerage topic received many positive comments, with some participants appearing to favour an even more extensive elaboration of the topic together with FX market structure changes.

The developments in electronic trading appeared to have been well appreciated although a number of participants mentioned e-trading, especially the impact of e-trading on the front office and the operational consequences, as an area that could have been elaborated further.

With regard to the revitalisation of the Japanese money market, while one participant would have liked to hear more about the structure of the Japanese money market and suggested a panel discussion, the general sentiment was that the topic was more than adequately covered.

Reflections from international committees

Feedback on the role of international committees was mixed, although on the whole, largely positive. A large number of participants would have liked to hear more about the work of these committees, especially in terms of how they can co-operate successfully, while a smaller number felt that the topic should have been given less coverage.

Providing better client services

This topic was also very positively assessed by most participants. Some participants, however, would have liked to hear more on outsourcing and off-shoring aspects, including pitfalls and experiences, bespoke processes, sharing of experiences and how to improve the status quo.

Others

Some participants felt that SEPA could also have deserved some coverage. Furthermore, better coverage of SWIFT and CLS, e.g. a discussion on further growth plans and objectives of CLS.

2 Topics identified for future cooperation among the international sister committees

The respondents proposed a wide range of topics that, in their opinion, would benefit from future cooperation among the international sister committees.

In general, there seems to be a strong interest for a more pro-active consensus in developing best practises from a global perspective. These included guidance from each sister committee on the topic of ensuring readiness and resilience, but also suggested to look at possibilities for standardisation aiming at increasing further straight through processing (STP).

The individual suggestions are listed below ordered by topic:

- Resilience in operations; pre-netting operations; BCP regulations; disaster recovery;
- Global risks to liquidity conditions in financial markets;

- Global code; best practices, including a more pro-active consensus in developing best practises from a global perspective; recommendations; all issues regarding standardisation, including an investigation of whether there is potential for more standardisation; global regulation;
- Operational risk;
- Operational efficiency (STP, confirmations, etc.); balancing operational efficiencies and regulatory controls in derivatives markets;
- Treasury in the derivatives area; increasing STP for derivatives;
- How to reduce operational effort through smarter communication between the market participants (e.g. automated static data modules);
- Trade netting on e-platforms before sending to the participating parties;
- STP standards for electronic trading platforms with end-to-end process view;
- Repo trading;
- Non-electronic confirmations; SSIs, including secure/validated SSIs for non-electronic clients and SSI best practice;
- Compensations; charges e.g. lifting charges; confirmations for corporates;
- Master agreements;
- Offshoring; outsourcing;
- New products; non-delivery forwards (NDF); sharing of information;
- E-trading and new participants in market place - especially algo trading & hedge funds;
- Intraday liquidity management: the necessity of having a strong management information system for measuring, monitoring, controlling and reporting the liquidity position of the Bank;
- Legal impact or reinforce ability of cross-border collateral activity;
- Funding liquidity and settlements in Russia and other emerging markets currencies newly moved to deliverable markets;
- Cross product view (fixed income, OTC derivatives, futures/options, equity); cross client bank proprietary trading; asset managers;
- Yearly conference (like Sibos and others);
- Discussion of CLS from a business point of view rather than a technical (e.g. confirmations, payments, netting etc.).

3. Follow-up

The members of the group are invited to identify some topics from the above list for further elaboration by the OMG that could also be reflected in the draft work programme for 2007 and/or communicated to the secretaries of the international sister committees.