



EUROPEAN CENTRAL BANK

OPERATIONS MANAGERS GROUP

29 November 2006

SUMMARY OF THE OPERATIONS MANAGERS GROUP MEETING 7 NOVEMBER 2006

1 Introduction from the chairman

The Chairman welcomed the participants and introduced the three guests - Dr. Niklas Bartelt from DZ Bank (topic 3), Jan Lamers from DNB (topic 4.1) and Ms. Chandraleka Bhargavan, from Dresdner Bank and member of the EFMLG (topic 5). He informed the Group about the apologies received and the alternates present and subsequently welcomed Richard White, HSBC as new OMG member, replacing the former HSBC representative, Chris Roberts.

Finally, the Chairman informed the Group that Eloy Lindeijer would leave the OMG in the coming months following a promotion and transfer to another business area, however, he confirmed that Eloy would still actively participate to next year's Global Conference.

2 Approval of the agenda

The members approved the agenda of the meeting.

3 Global Conference 2007

The Chairman reported that since the last OMG, two Conference Planning? Task Force meetings took place with the German OMG members, during which the topics for the Global Conference programme were discussed and potential speakers identified. The Secretary briefed the Group on developments, working through the attached draft conference programme. Dr Niklas Bartelt, DZ Bank proposed to expand the session on achieving operational efficiency by 'Efficiency Gains through Active Operations Platform Management' /'Reducing cost by leveraging scale'. After an interesting discussion on these aspects, some of the OMG members concluded that their institutions were following a similar approach.

Concerning the preliminary conference programme, the members of the Group were, in general, very pleased with the overall programme. Following an exchange of views concerning the focus of each of the sessions as well as a reflection on the appropriate persons to invite as speaker/moderator, it was agreed that the preliminary programme would be slightly updated to reflect the outcome of the discussions e.g. to

drop the resilience benchmarking exercise, to turn the information session on prime brokerage into a panel discussion, etc. Also it was stressed that the issue of trade confirmations should definitely be addressed under the session Operational Efficiency, although the exact manner in which it could be incorporated remained to be worked out. Finally, it was agreed to continue with approaching speakers and moderators.

4 Contingency Planning

4.1 FXJSC - CLS Walkthrough

On 26 September, and following a pre-agreed scenario, the FXJSC organised a special afternoon meeting to discuss the impact of a CLS outage and the related reaction of FXJSC market participant members. Richard White (HSCB) and Jan Lamers (DNB) who participated to the exercise briefed the members of the OMG on the key lessons learned. The scenario assumed a global CLS outage, starting around 11.45 GMT when the daily settlement cycles had already been successfully completed. The issues that arose were as follows: how soon after the problem occurred is it necessary to inform the CLS members; and when will the decision be taken to stop entering new deals in CLS. Withdrawing deals was seen as a response that could potentially create more problems than it would resolve. Furthermore, another issue that arose was that when CLS has recovered, CLS is capable of processing the queued volumes, but it was questioned if member banks would be capable of processing the backlog preferably member banks should have a possibility to prioritise their transactions based on value date. In general, it was concluded that member banks need to think more about their capabilities to respond to re-submission of high volumes of transactions in a crisis situation.

At FXJSC nor at the OMG level, the selected scenario did not raise too many concerns as the daily settlement cycles had already been completed. The question was raised however as to what would happen if the situation described in the scenario would occur around 23.00 GMT. The members of the OMG acknowledged that the exercise of the FXJSC had been very valuable, underling the importance of having a proper crisis communication structure in place.

4.2 Task Force on Contingency Planning

The Chairman of the Task Force on Contingency Planning recalled the discussion that took place in the May meeting during which an unavailability of SWIFT had been discussed. During the May meeting the common understanding was that the overall resilience of the SWIFT network is already very high, therefore the discussion focused on the scenario of a financial institution or a country losing its SWIFT connection. In this context, three areas for improvement were discussed: i) SWIFT resilience within the financial institution, ii) the development of common best practices and iii) the need to revise existing compensation guidelines.

Concerning SWIFT resilience within a financial institution, the possibilities to enhance resilience were discussed. In this regard, one of the questions put forward was whether and, in which cases, a standalone

SWIFT terminal could be a solution. Moreover, members discussed whether there would be scope to develop some common best practices and as raised during the last meeting, the possibility to revise existing compensation guidelines. The members did not show much appetite for reviewing compensation guidelines however, but preferred to elaborate on exchanging information on possible contingency procedures. Therefore it was agreed to develop a simple questionnaire which aims to collect information on the contingency procedures in place for the different scenarios e.g. back office system not functioning, problem with the telecom providers, etc.

5 EFMLG

During the European Financial Markets Lawyers Group (EFMLG) meeting on 12/10, Eloy Lindeijer presented the activities of the OMG with a view to seeking cooperation on the issue of the bank holiday/unscheduled events resulting in a closing of the markets. Eloy Lindeijer advised that the EFMLG agreed to follow closely the activities of the OMG and to cooperate on legal issues considered to be of interest for both. He stressed that the meetings of the EFMLG seemed to be of interest for the OMG e.g. the discussion on the differences in the implementation of the MiFID which is related to the differences in national legislation.

In this context, Ms. Chandreleka Bhargavan had been invited to participate to the OMG meeting. During the EFMLG she raised the issue of 'FX transactions not governed by a Master agreement' and the possible solution to incorporate the agreement in the confirmation, which would possibly be the SWIFT message. Consequently, this information in the confirmation should then be matched. There was a common view that it would be of interest for the OMG to further investigating the operational aspects of possible solutions.

The OMG agreed that it would be of interest to enhance the cooperation with the EFMLG and to analyse some of the topics from an operational perspective.

6 Task Force on Trade Confirmations

The Chairman of the Task Force on Trade Confirmations presented the result of a half day workshop that took place in Brussels. The objective of the workshop was to come up with proposals for the following issues: i) phone confirmations, ii) electronic trading, iii) improving the exchange of confirmations with non banks, iv) improving the STP level in confirmations processing and v) the move of confirmations to front office as a consequence of certain market evolutions. In terms of scope, the Task Force proposed to cover the entire scope of transaction types and not to limit itself to FX and MM.

Initially the Task Force considered the possibility of issuing a set of recommendations or best practices regarding confirmations, however subsequently questioned how much value such recommendations would add to existing recommendations/practices. In addition to some fundamental recommendations that were basically extracted from existing codes, the Task Force presented some possible ways forward. Although some were almost immediately agreed upon e.g. phone confirmations should only be used as a

fall back solution (chasing), some others initiated lively discussions e.g. the issue of how to improve the exchange of confirmations with non-banks which do not seem to perceive the practice of exchanging trade confirmations as important. The proposals varied from educating the sales people to involving corporate audit firms.

Due to a lack of time, the members were invited to submit their views on each of the proposals in writing.

7 Any other business

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.int/paym/groups*

8 Next meetings

The following meeting schedule was agreed for 2007:

- *Tuesday 6 February 2007*
- *Thursday 14 June 2007 – provisionally*
- *Tuesday 16 October 2007*

LIST OF PARTICIPANTS – OMG Meeting 7 November 2006

<u>Participant's organization</u>	<u>Name of participant</u>
AIB Global Treasury	Mr Paul Dillon (Chairman)
ABN Amro Bank	Absent
Banca Intesa	Mr Paolo Murgia (alternate)
BNP Paribas	Ms Sophie Gatellier
Calyon Bank	Absent
Commerzbank AG	Mr Swen Gajski (alternate)
Deutsche Bank AG	Absent
DEXIA-BIL	Mr Romain Thill
Dresdner Bank AG	Mr Heiko Kroeber
Fortis Bank	Mr Marc Camus
HSBC Bank	Mr Richard White
Nordea Bank	Absent
Rabobank	Mr René Steenhardt
Santander Central Hispano	Mr Angel del Amo Arcones
UBS	Absent
Deutsche Bundesbank	Mr Wolfgang Schulte (alternate)
Banque de France	Mr Yves-Henri Normant
De Nederlandsche Bank	Mr Eloy Lindejjier
European Central Bank	Ms Annemieke Bax (Secretary)
	Mr Eric Vermeir
<i>Guest speakers:</i>	
De Nederlandsche Bank	Mr Jan Lamers
Dresdner Bank	Ms Chandraleka Bhargavan
DZ Bank AG	Dr Niklas Bartelt