



EUROPEAN CENTRAL BANK

EUROSYSTEM

OPERATIONS MANAGERS CONTACT GROUP

4 July 2012

## **SUMMARY OF THE MEETING OF THE OPERATION MANAGERS CONTACT GROUP (OMCG) FRANKFURT – 12 JUNE 2013**

### **1. Approval of the agenda**

*The Chairman, M Stubbe (ECB), reviewed the agenda of the meeting, which was approved by the OMCG.*

### **2. Recent financial markets developments**

*E.Port (ECB) informed the OMCG on the latest developments in financial markets. The global financial environment witnessed a possible diverging path of monetary policies in major currency areas and an increasing volatility across various asset classes. Markets experienced a broad-based US dollar appreciation and Yen depreciation against a fundamentally stable euro. Japan saw a marked volatility in equity and bond markets whereas US bond yields started to creep up and bond yields in other currencies followed. In the euro area, 10-y bond yields also rose but spreads did not widen significantly. Euro area money markets fluctuated among mixed expectations between MRO rate cuts and possible negative deposit rates. Roughly one third of the 3-year LTRO has been repaid.*

### **3. The impact of the financial transaction tax on bank operations**

*F Walch (ECB) made a presentation on the February 2013 proposal of the EU Commission for a financial transaction tax (FTT). It was stressed that this was still a proposal and therefore subject to changes. After describing the instruments, transactions and institutions subject to the tax (which will be levied in eleven countries in the euro area), it was mentioned that the timeline for implementation (start of 2014) was very ambitious. OMCG members mentioned that the reliance on central platforms with access to trading information may facilitate a more efficient implementation of the proposed tax. One member wondered whether there might be synergies with the processes related to FATCA. Furthermore, a uniform implementation and collection of the tax across participating Member States should be ensured, including in terms of operational definition of the instruments taxed. Finally, members wondered whether this European financial transaction tax would smoothly replace similar national taxes already existing in some of the Member States where the FTT is planned, or whether during a transition period both types of taxes would be run in parallel.*

#### **4.Key strategic initiatives at CLS**

*J Hagon and E Davey (CLS) gave an update on latest events in the CLS world. They touched upon developments in same-day settlement in USD/CAD, which is expected to go live in the second half of 2013. They then updated the group on the CLS strategy for a number of new currencies that are being targeted by CLS in different continents and reminded the group of the stringent standards applied to existing and new currencies. The OMCG expressed appreciation to the guest speakers for their contribution.*

#### **5.Working Groups on market feedback**

*S Betocchi (Unicredit Group) and J Hill (RBS) presented some objectives of the work of the two working groups, respectively on reporting/crossover and on eligibility/non-cleared trades. Each group will now start preparing draft notes addressing relevant topics and conceptual arguments. The focus of the work will be on topics of operational content. The areas with greater added value will be identified and pursued. Priority topics will be identified and sequenced according to urgency of the regulatory deadlines.*

#### **6.Margin requirements on derivatives**

*T Garbaravicius (ECB) informed the OMCG on the next steps for finalising the definition of the regulatory requirements with respect to margin requirements for non-centrally cleared OTC derivatives. The main purpose of the initiative is the reduction of systemic risk and the promotion of central clearing. A public consultation was initiated in February 2013 by the Basel Committee on Banking Supervision. Several features of the near-final proposal are intended to manage the liquidity impact of the margin requirements on financial market participants. The final framework is expected to be finalised in July 2013 and made public thereafter. The proposal envisages a gradual phase-in to provide market participants with sufficient time to adjust to the requirements. The requirement to collect and post initial margin on non-centrally cleared trades is proposed to be phased in over a four year period beginning 2015 and begin with the largest and most active market participants.*

#### **7.Activities of other international groups**

*T Evans (HSBC) informed the OMCG about the activities of some selected international Working Groups in US, Europe and Asia.*

#### **8.AOB**

*C Tsilibertis (ECB) clarified some points on the LEI (Legal Entity Identifier) and replied to some questions from the OMCG.*

*L Meyer (Citi) pointed to the increasingly dense agendas of the OMCG, noted that this was natural and useful in the current environment and suggested that the OMCG might wish to consider increasing the length or the frequency of the meetings. The OMCG agreed that the next meeting could effectively last five hours.*

*The next OMCG meeting will take place on 5<sup>th</sup> November 2013. Teleconferences might be held in-between if needed.*