



EUROPEAN CENTRAL BANK

EUROSYSTEM

OPERATIONS MANAGERS CONTACT GROUP

2 December 2014

SUMMARY OF THE MEETING OF THE OPERATION MANAGERS CONTACT GROUP (OMCG) FRANKFURT – 13 NOVEMBER 2014

1. Approval of the agenda

The Chairman, M Stubbe (ECB) welcomed the new members of the OMCG. The agenda of the meeting was approved.

2. Outcome of the OMCG survey on confirmations

S Gebauer (ECB) made a presentation on the results of the survey on confirmations, conducted through a questionnaire circulated to OMCG members, relating to confirmation practices (Interbank and Corporates) for FI securities transactions. The survey also focused on current practices for sending and receiving confirmations, and on confirmation matching. The instruments surveyed related to OTC fixed income outright and repos. Replies for transactions done with interbank counterparties differed somewhat from transactions with corporates. Replies also differed depending on the type of instrument (repo, outright) and on whether an electronic platform was used. The confirmation process is driven mainly by two aspects: risk mitigation and efficiency issues. Current challenges for platforms users are the differing technical standards and also the different and overlapping content of platforms (also because covering different instruments). It was agreed to discuss further the possibility to continue this exercise and on possibly focusing on other market instruments.

3. Presentation on confirmations practices in the commercial banking space

N. Riyad (UBS) made a presentation on key developments in STP and confirmations. After going through the products coverage of STP FX and MM processing at UBS, the importance of confirmations was presented, in terms of legal and compliance obligations (to send confirmations), client expectations and confirmation as a risk mitigation tool ('match-before-pay' approach). The confirmation workflows showed that almost all confirmation is electronic, with very little performed through other channels like fax, letter, email. An important exception is given by some FX derivatives, not yet on-boarded on SWIFT and thus still on paper. An international working group working with SWIFT has requested some changes in the electronic formats that should enable also these categories to be confirmed electronically.

4. Impact of recent regulatory changes on FX markets

A Harvey (AFME-GFXD) gave an update on Mifid and presented some other key work streams. Two key strands of Mifid regulation were presented, relating respectively to: (a) market framework, trading and transparency obligations, and (b) the definition of financial instruments. A feedback was also given about the meetings held with European Regulators during the September –October period. Finally, there was a debrief on other streams of work carried out by the GFXD Operations Committee, on topics like confirmations, settlement, post-trade regulations and outreach to industry.

5. Presentation: the recent monetary policy measures decided by the ECB

M Slavik and T Peltoniemi (ECB) updated the OMCG Group on the recent measures introduced by the ECB. First, an overview was given about the Eurosystem's most recent asset purchase programs and their implementation (so-called ABSPP - asset-backed securities purchase program; and CBPP3 – covered bond purchase program 3). This was an occasion to better inform and reply to the queries posed by market participants, who generally demonstrated knowledge about the workings of these measures from an operational point of view.

6. Recent developments in Best Practices

G-C Marhic (ECB) narrated recent developments in Best Practices and Codes of Conduct. After the problems experienced by the FX and MM markets fixings, the need has emerged for an overhaul of the current practices. The outcome of a survey conducted with the ECB's FXCG contact group was presented. The general message conveyed by the FXCG was that an enhanced strengthening of the codes of conduct should be pursued on the use of codes of conducts and that some of the rules contained in the codes would probably need to be reinforced.

7. OMCG Working Groups: follow-up strands

The Group, led by the Chair, discuss a revised draft of the letter on the regulatory reform. This would be finalised by teleconference.

8. International working groups

T Evans (HSBC) informed the group about recent activities of other international working groups in the FX domain.

9. AOB

The Group took note of the proposed meetings dates for 2015: 17 March; 9 June; 3 November.