



EUROPEAN CENTRAL BANK
EUROSYSTEM

OPERATIONS MANAGERS CONTACT GROUP

19 June 2015

SUMMARY OF THE MEETING OF THE OPERATION MANAGERS CONTACT GROUP (OMCG) FRANKFURT – 9 JUNE 2015

1. Survey on FX operational processes

T. Evans (HSBC) presented the aggregated results of the data collected from the OMCG members via a survey on FX operational processes. The members shared their views and provided useful suggestions on the summary tables. They noted that the results suggested a good degree of consistency of the practices in the financial industry. They agreed to repeat the survey next year and discussed options to expand the survey's coverage to a wider set of institutions. The launching of a new similar survey on confirmation of interest rate products was agreed. Its preparation would start in the near future and it will be conducted following the finalisation of the current survey on FX operational processes.

2. SWIFT changes

In a teleconference, F. Brogli (UBS) gave the Group an update on the progress made on the changes proposed to SWIFT. These changes have the objective to increase the automation of the FX confirmation processes and STP where possible. This is a response to the increasing number of obligations deriving from new regulations, mainly but not only on derivatives (e.g. EMIR in the European area). Over the past few years, a number of templates have been agreed and standardised between market participants. This enabled a more straightforward and consistent approach to electronic confirmation on-boarding. Ten change requests were communicated to SWIFT last year. They are expected to be delivered in the regular annual SWIFT update to take place in November 2015.

3. ACI Model Code and business rules

M. Bailey (President, ACI) made an introduction on the importance of ethical behaviour in the financial markets, the need to make visible to clients and shareholders the behavioural

improvements demanded by regulators and the recommendations from the FSB in its letter of 20 March 2015. These included the adoption of codes of conduct that describe best practices for trading foreign exchange, and of steps to be taken by market participants to more strongly demonstrate compliance with the codes of the various foreign exchange committees. This led in turn to the initiative by FX Committees of devising and adopting a Single Code of Conduct. M. Bailey presented also the revisions introduced in 2015 in the ACI Model Code and the new ELAC solution, a tool for improving best practices knowledge through case studies and self-assessment tests. These initiatives met with great interest from the members of the Group.

4. Cyber risk

E. Driehuis and P. van Velthoven (FOX-IT) introduced the OMCG to the development of banking cyber-crime, in particular focused on the financial sector. They described current threats and their origins, the financial malware ecosystem, the methods and rules for mitigating such risk, and the initiatives among regulators and law enforcers to counter an increasingly dangerous threat. They described also the most threatening malware families and the activities of criminals on a large and global scale.

5. Confirmation practices in the commercial banking space

R. Demaizières (CA-CIB) gave an overview on the CA-CIB's FX confirmation and settlement practices, products, SWIFT message usage and timely confirmation ratios. He analysed also CA-CIB's channels of communication for their confirmations and their settlement rules (STP processing, netting and exceptions management). Other topics covered included regulatory issues and the development of CA-CIB's electronic business. The Group discussed the information presented and drew comparisons with the experience made in their own institutions.

6. ECB Regulation on money market statistics

P. Nicoloso (ECB) presented the background for introducing the Money Market Statistical Reporting Regulation (MMSR) and the information requirements underlying it. He underlined the policy need for granular and very timely data to understand the functioning of the money market on a daily basis and for implementing monetary policy. He also underlined that the planned backflow of statistics to market participants would benefit them and allow informed choice amongst reference rates. The project's reporting instructions were presented along with timeliness, output specifications and the IT aspects. He explained that EMIR data usage had been considered but the dissimilar data, the high level of granularity required and the different, more urgent reporting timeliness needed for monitoring fast-moving money markets did not allow to make use of the data collected for EMIR.