

ECB Confirmations Working Group

10.Nov 2008

Introduction

- ◆ At the meeting in June, we (the confirmations working group) presented our “themes” which were generally accepted by the group
 - Come up with a list of topics to discuss, debate, and pursue as a group rather than just the general quarterly update
 - Integrate the actions of the wider FX community (FXC OMG and BoE JSC) into our ideas
- ◆ Quite a lot has happened in the FX market as well as the market as a whole, and the FX industry is now feeling pressure to make itself more efficient and less costly, particularly between banks and professional players
- ◆ This document is for discussion, with the idea that the ECB OMG member institutions take a view on how we want to participate in these movements

The President's Working Group and Industry Metrics

- ◆ Consistent with the objectives of the March 2008 Policy Statement of the President's Working Group on Financial Market Developments the 16 major market participants committed to further strengthen the operational infrastructure for OTC derivatives
- ◆ A letter was released to the Fed end of October outlining concrete plans for each asset class, for FX the commitments are:

Electronic Processing				
Commitment	Target	Date	Change Impact	RAG Status
Publish quarterly performance metrics	Reporting	31. Dez 08	low	green
Publish monthly performance metrics	Reporting	31. Jul 09	low	green
electronic processing of electronically eligible confirmable NDO volume by OMG Dealers	25%	30. Jun 09	low	green
electronic processing of electronically eligible confirmable NDF volume by OMG Dealers	50%	31. Dez 09	low	green
electronic processing of electronically eligible confirmable Barrier volume by OMG Dealers	10%	31. Dez 09	high	green
electronic processing of electronically eligible confirmable Barrier volume by OMG Dealers	20%	31. Dez 10	medium	green
electronic processing of electronically eligible confirmable Vanilla and NDF volume by OMG Buy-Side	40%	31. Dez 09	low	green
Non-Electronic Transactions				
Commitment	Target	Date	Change Impact	RAG Status
Work with ISDA to increase the number of standardised templates for complex exotic confirmations	Variable Quantity, Average Rate & Volatility Instruments	31. Dez 10	high	green

- ◆ The performance metrics is being produced using services of an external vendor (MarkIt) for GBP 8'000 / year (sliding scale depending on number of participants)

Initiatives from the FXC OMG and the BoE JSC

- ◆ On November 5th, the FXC OMG and the BoE JSC had a joint meeting in New York
- ◆ Two presentations on confirmations and settlement were given, presented by Graeme Munro
 - “Improving Confirmation and Settlement of Currency Trades Across the Client Spectrum”
 - “Improving the Confirmation Process for FX Options”
 - [see separate presentations]
- ◆ Both presentations were generally accepted by the group as the right direction and set of work for the near future
 - Idea behind these presentations is to gain more firm commitment from member banks on technology adoption and process improvement

Other Items

- ◆ FX Market Practice Group
 - SWIFT group modelled after the Securities Market Practice Group
 - Presented and discussed at SIBOS
 - Designed to improve user education, discussion, and adoption of SWIFT messages

- ◆ White paper on confirmations for trades done over electronic channels
 - Still being pursued as directionally correct
 - With the various legal groups to discuss feasibility and how to achieve