



EUROPEAN CENTRAL BANK

EUROSYSTEM

OPERATIONS MANAGERS CONTACT GROUP

13 November 2015

SUMMARY OF THE MEETING OF THE OMCG - OPERATIONS MANAGERS CONTACT GROUP FRANKFURT – 3 NOVEMBER 2015

1. Approval of the agenda

The Chairman, M. Stubbe (ECB), welcomed the new members of the OMCG and presented the agenda which received approval from the members.

2. Confirmation practices in the commercial banking space

G. Prieto Moreno (Banco Santander) made a presentation on confirmation practices in the treasury function of his institution. After giving an overview of the organisation of Banco Santander Corporate Banking (SGCB) and its global footprint, he described the interaction between local operations and shared services centres from a post-trade point of view. This was achieved by setting-up a separate company and integrating rules, procedures and IT systems. A fully automated STP confirmation process is carried out for some instruments; other types of products and pending items are handled by specialised teams. The complexity of the regulatory reporting process was mentioned as one of the issues requiring greater attention, an assessment that was shared by other OMCG members.

3. Survey on FX operational processes – further analysis

The OMCG had a discussion, moderated by T. Evans (HSBC), on the aggregated results of the survey data. Further to the analysis of the data, the main points discussed included the impact of the use of CLS on post-trade processes, obstacles to further expansion of its use in other product areas, current currency coverage and associated costs. The continuing use of paper confirmations where SWIFT templates have become available was also discussed, as well as central matching or other electronic format matching solutions. It was noted that greater use of paper has geographical connotations: confirmation patterns are persistent at a regional level. The survey also pointed out the existence of more rigid procedures for complex products. It was mentioned that electronic

confirmation meets legal constraints in some jurisdictions where paper format record keeping is required by law.

4. SWIFT ISO 20022 – FX Market perspective

J. Halberstadt (SWIFT) provided an update on the state of play on the implementation of ISO 20022. He first introduced some background information on the historical development of ISO standards and illustrated the importance of a single standardisation approach, to be used by all financial standards initiatives. Thereafter, the current landscape of institutions and infrastructures that are building post-trade structures compatible with ISO 20022 was presented; some of the initiatives are connected to Eurosystem infrastructure (e.g. Target2Securities, SEPA). It was noted that the implementation of changes in the SWIFT standards required some time between the submission of the request for change by the financial industry or standards body, and the moment when the publication and optional pilot takes place. The current implementation status in the FX market was then mentioned. While standards are easier and quicker to implement in the presence of a centralised market infrastructure (e.g. Swift), migration by counterparties running bilateral market communications is slower. The OMCG members then discussed their current status of implementation. A few members had started the ISO 20022 migration in their institution; other members acknowledged that they were following the process closely but had not yet started implementing.

5. Update on the Single Code of Conduct (SCC)

G-C Marhic (ECB) updated the members on preparatory work for the Single Code of Conduct (SCC) of Best FX Practices. Two work streams have started work on the SCC. One aims at developing the Global FX Code, the other at developing proposals to promote adherence to the Global FX Code. A final publication of the SCC is planned for mid-2017. It was mentioned that at a later stage of the process the OMCG Group could be consulted on the post-trade processing part of the SCC.

6. Survey on Interest rate operational processes – first results

A new survey on the confirmation of interest rate products was launched at the meeting held in June 2015. F. Caestecker (KBC) and K. Claessens (Belfius) led a discussion on first evidences from the survey. The members exchanged views on the summary tables and concluded to discuss them further.