

SUMMARY OF THE MEETING OF THE OPERATION MANAGERS CONTACT GROUP (OMCG) FRANKFURT – 17 MARCH 2015

1. Approval of the agenda

The Chairman M Stubbe (ECB) greeted the current and new members, who were asked to approve the agenda.

2. Confirmation practices in the commercial banking space

F Caestecker (KBC) made a presentation on affirmations and confirmations practices in the FX space at KBC. The presentation included an illustration of the confirmation process flow, the product coverage for confirmations (FX, M/M, derivatives and fixed income, including some statistics on average monthly number of deals per asset class), the operating model for the back office (including the geographical split of operations) and the description of the various phases of the confirmation process (sending, matching and 'chasing') both for professional and institutional counterparties and for corporate clients. Moreover, the presentation covered specific action on transactions not confirmed before settlement, in particular, risk mitigation measures for external cash flows (e.g. transactions via electronic platforms, validity checks on transactions close to cut-off, duplicate checks, affirmation for derivatives cash flows, applying the KYC principle and settlement limits) and actions on settlement for unconfirmed transactions nearing their cut-off time.

3. Survey on operational processes

R Norman (RBS) and T Evans (HSBC) lead a discussion following-up from the last OMCG meeting discussion on securities confirmation practices. They presented a draft questionnaire on confirmation practices relating to FX products. The members discussed the scope (i.e. sharing information on operational processes at member banks) and breadth of the survey, and provided comments on the structure of the survey. The questionnaire includes quantitative data on methods for confirmation as well as qualitative questions relating to processing practices. It was agreed that a

revised survey incorporating the comments would be circulated to the OMCG. The replies would be collected, anonymised and consolidated by the ECB. The members of the OMCG would carry out the analysis. The results of the survey would be discussed at the next meeting.

4. Trade repositories under and reporting in EMIR

Following a request from the OMCG, L Fache Rousová (ECB) presented the state of play on the implementation of EMIR as relates to the reporting of derivatives transactions by European market participants, the compilation of statistics and the policy uses of these statistics. The presentation covered issues like the challenges posed by aggregating data from different Trade Repositories in the EU, the reporting obligations on counterparties, some examples on the use of EMIR data by the ECB (ranging from monetary policy to financial stability, payment oversight, general macroeconomic assessment and the new function of supervising financial institutions), data checks at the macro level and the monitoring of data quality.

5. Recent monetary policy measures decided by the ECB

M Znidar (ECB) updated the OMCG on the Quantitative Easing measures recently introduced by the ECB. The presentation extensively covered the main policy content and the objectives of the Public Sector Purchasing Program (PSPP) and clarified aspects like the eligible securities, limits on purchases, the country and purchase allocation, and the main implementation rules (specialisation schemes, eligible counterparties, securities lending and transparency). The members mentioned that an update at the November meeting on the implementation of PSPP would be welcome.

6. Update on SWIFT changes

T Evans (HSBC) updated the OMCG on the changes proposed by the industry on certain SWIFT message types. Over the past few years, a number of new templates were agreed between market participants and were standardised by ISDA, enabling a more straightforward and consistent approach to electronic confirmation on-boarding. A number of Change Requests to enhance messaging were made to SWIFT. These are planned to be included in the SWIFT 2015 Release.

7. OMCG work program and Terms of Reference

The OMCG discussed a draft OMCG Work Program, detailing the strands of work to be pursued in the medium term. The OMCG also discussed the OMCG Terms of Reference, a set of rules proposed by the ECB and governing the functioning and membership of the Group. The members took note of the rules and provided comments.