Ladies and gentlemen,

It is a great pleasure for me to welcome you today to the Global Operations Managers’ Conference – the third of its kind and the first to be organised by the European Central Bank (ECB) Operations Managers Group.

Some of you may have attended one or both of the previous conferences that were hosted by the operations managers groups of the New York Foreign Exchange Committee in 2003 and the London Foreign Exchange Joint Standing Committee in 2005. As such, you are certainly aware of how successful both events were in addressing issues common to operations managers across the globe and providing a platform for enhancing communication among foreign exchange (FX) market groups in the various financial centres. We hope that the current conference will continue this trend and that we will experience thought-provoking presentations and lively exchanges of views over the next two days. I would also strongly encourage participants to take advantage of the opportunity to actively network, as this will enhance communication and cooperation between central banks on the one hand and between central banks and market players on the other. Increasingly, FX topics need to be addressed at a global level in the global FX market. Smooth communication channels between our committees are therefore of great importance.
Given the unregulated nature of this market and the huge daily turnover figures, the need to have a well-functioning communication and cooperation framework via the various global FX market groups cannot be underestimated. As the data for the Bank for International Settlements’ (BIS) 2007 Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity is still being compiled, I will work on the basis of some assumptions for quantifying the current size of the market. Most of you will no doubt recall that the 2004 BIS survey revealed an average daily turnover of USD 1.9 trillion in traditional FX products. Similar data compiled by the London Foreign Exchange Joint Standing Committee for the UK revealed a two-thirds increase in turnover in traditional FX products between October 2004 and October 2006. Based on the assumption that there was a similar rate of growth for the global FX market between April 2004 and April 2007, the projection for the current overall size of the traditional FX market would appear to be in the vicinity of USD 3 trillion per day – a very impressive number and, indeed, something to bear in mind during the forthcoming discussions.

Before giving the floor to our distinguished speakers, I will take this opportunity to make some general remarks.

First, I would like to provide some information about the ECB contact groups and their role in the market. Unlike many of its sister groups in other financial centres, the ECB Operations Managers Group is a sub-group of both the ECB Foreign Exchange Contact Group and the ECB Money Market Contact Group.

In 1999, the ECB established the Foreign Exchange Contact Group as a forum for discussing industry developments and structural trends of significance to the FX market. The ECB Money Market Contact Group was set up at the same time to discuss issues related to the euro money market, including short-term and structural developments, as well as the general functioning of the euro area money market.

In 2002, it was decided to establish an Operations Managers sub-group, largely in response to the terrorist attacks in the USA on 11 September 2001 and the corresponding recognition of the need to have a forum that could respond to crisis situations that might arise in financial markets – as was the case in the USA with the
Operations Working Group of the New York Foreign Exchange Committee. In view of the synergies in the settlement of FX and money market transactions, the ECB decided to establish this new operations group as a sub-group of both the ECB Foreign Exchange and Money Market Contact Groups.

Second, I would like to make a few remarks on the range of participants attending this conference. Participation in this conference is broad-based, with key financial institutions from across Europe, as well as the USA and Asia represented. We are naturally delighted to see such a wide attendance from players in the FX markets. In view of the dual parentage of the ECB’s Operations Managers Group, I am also pleased to welcome a number of representatives from the money market side, who I am confident will add to the discussions given the obvious link between FX and money markets. By illustration, there is anecdotal evidence that FX swaps are increasingly used for both FX purposes and pure domestic liquidity management. In this regard, I would add that the most recent ECB Euro Money Market Survey revealed that the volumes in the FX swap market – in particular, for the shortest maturities - rose by around 40 percent in the sample period for 2006 compared with the previous year. One of the reasons cited for these higher levels has been the more frequent use of FX swaps as a liquidity management instrument.

However, financial institutions alone do not constitute the FX or money markets, and I am therefore pleased to note that we have a significant number of representatives from critical infrastructure providers, together with representatives from the wire services, electronic broking providers, buy-side representatives, legal associations, data providers and more. I believe this gathering of people from such a wide spectrum of areas will help bring together the experience and knowledge required to make the conference a success.

Finally, I would like to contribute some reflections on the theme of the conference: “Treasury operations: Striking the balance between efficiency and resilience”. I believe there is broad agreement that both “efficiency” and "resilience" are two important components of properly functioning markets, and that we have seen monumental improvements in both in recent years. Efficiency has improved at all levels of the FX and money market transaction chain with the advent of significantly
greater use of electronic trading on the front office side and large scale advances in automation on the back office side. Against this background, we have seen substantial increases in the volumes and values being traded on the front office side, while, at the same time, the numbers of staff required for processing on the back office side have been reduced. This increased efficiency has in itself played an important role in facilitating the dramatic expansion of the FX and money markets over the years.

In parallel with the efficiency drive, there has also been a stronger focus on resilience, with greater efforts undertaken by financial institutions, critical infrastructure providers and indeed all market participants to ensure that the market can function across all levels in the event of an operational disturbance. As we will hear more about resilience in a business continuity context in a few moments, I will not dwell any further on this aspect. I do acknowledge, however, the argument that resilience possibly conflicts with the efficiency principle, at least to the extent that efficiency gains may be considered to be offset by the need to comply with specific regulations in what is otherwise a largely unregulated market. It is certainly well recognised that financial institutions have invested in standardisation and automation over the years in order to bring down the average ticket cost. However, on occasion, I have heard concerns being expressed that the average ticket cost can be deemed to have edged upwards if the cost of meeting compliance measures or indeed business continuity regulations are brought into the equation. For these reasons, therefore, it is crucial to find the right balance between efficiency and resilience, and I hope that during the discussions in the course of today and tomorrow, it will become increasingly obvious where this balance might lie. In this regard, I take note of the intention to assess resilience from the rather broader perspective of robustness and to look beyond trading and settlement to related areas which support the markets, such as operational risk, compliance and the general framework of codes of conduct, best practices, etc. These compliance-type initiatives that have been introduced over the years should be viewed as enhancing the efficiency of markets and supporting overall resilience. On the issue of striking a balance, I would also like to take this opportunity to invite market participants to seek dialogue with central banks, as we very much appreciate such interaction.
Before giving the floor to our first panel, I will leave you with a quote from the US anthropologist, Margaret Mead:

“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

I sincerely hope that this Global Operations Managers’ Conference – building on the legacy of the previous conferences and supported by the framework of market groups in the various regions – will provide an opportunity to continue moving towards global solutions and taking the required initiatives.

Thank you for your attention.