

Foreign Exchange Contact Group
Frankfurt, Tuesday 8 September 2009

SUMMARY OF THE DISCUSSION

1. Review of market developments

The Group reviewed and discussed the latest trends in financial markets, particularly in FX markets, following the presentation made by Philipp Nimmermann, market economist a BHF Bank.

2. FX reserves

Jose Manuel Amor, partner at Afi (Analistas Financieros Internacionales, S.A.) gave an overview of the recent developments and trends in world official FX reserves.

The pace of foreign exchange reserves accumulation has slowed down since the start of the crisis, partly reflecting a correction of global trade imbalances. This happened with some divergences: the reserves of oil producers have decreased, while they continued to increase in Asia. The diversification of FX reserves slowed as well. The share of the US dollar in global FX reserves was still 64% in 2008 (around 60% when looking only at emerging central banks).

The presentation opened the discussion on the role of FX reserves, and how successfully they have worked as an "insurance" against country-default in the current crisis against the background of the increase in multilateral funds/IMF backing.

3. Correlations between FX markets and other financial markets

Jeremy Hale, FX strategist at Citigroup, made a presentation on the correlations between FX and other financial markets. The presentation shed some light on the recent drivers of the US dollar, and in particular the appetite for risk assets. There has been an unusually high negative correlation between the level of the US dollar and US equities, while interest rate differentials have lost some of their power in explaining the recent evolution of main currency pairs. The link between the US dollar and risk assets is however likely to wane in coming months. Mr. Hale showed to what extent positioning and cyclical factors also explain recent movements in the main currency pairs. Going forward, the appetite for risk assets will continue to play a role in the short term, although historically US recoveries have not been associated with a particular direction for the US dollar.

4. CLS

Roger Rutherford, Head of Product Management at CLS, updated the Group on the latest developments at CLS and analysed the operational impact of the recent crisis on settlement issues. Some statistics on volumes and participation were presented. The presentation also dealt with the future of CLS in terms of regulatory aspects, central counterparties and aggregation of trades.

5. Other business

The next meeting will take place on 8 December 2009 from 13:00 to 16:00 at the ECB premises.

The tentative 2010 calendar, which will only include three meetings, will be circulated in October together with the consultation for the work programme 2010.

List of participants
Foreign Exchange Contact Group Meeting

on 08 September 2009

in CVI, 2nd floor

from 16:00 to 19:00

Participant's organisation

Bank of Tokyo Mitsubishi UFJ
 BHF Bank AG
 BNP Paribas BFI
 CECA
 Citigroup
 Credit Suisse
 Deutsche Bank AG
 Dexia BIL
 ICAP
 Morgan Stanley
 Nordea
 Royal Bank of Scotland
 Royal Bank of Canada
 Scotia Capital
 State Street
 UBS AG

Name of Participant

Mr Totsuka Shunichiro
 Mr Jörg Isselmann
 Mr Patrick Mauberque
 Mr Jose Manuel Villaverde
 Mr Holger Achnitz
 Mr Martin Wiedmann
 Mr Stefan Bender
 Mr Louis Macalli
 Mr John Nixon
 Mr Richard Oliver
 Mr Morten Tysnes
 Mr Roger Hawes
 Mr Ed Monaghan
 Mr Barry Wainstein
 Mr Christopher Freeman
 Mr Urs Bernegger

European Central Bank
 European Central Bank

Mr Francesco Papadia, Chairman
 Mr Ivan Fréchard, Secretary

Guest Speakers

BHF Bank
 CLS
 CECA
 Citigroup

Mr Philipp Nimmermann
 Mr Roger Rutherford
 Mr José Manuel Amor
 Mr Jeremy Hale

National Central Banks

Deutsche Bundesbank	Mr Clemens Werner
Banco de España	Mr Jose Luis Jimenez
Banque de France	Mr Emmanuelle Assouan
Banque Nationale de Belgique	TC 3331
Bank of Greece	Mr Francois Biquet
Banca d'Italia	TC 3231
Banque centrale de Luxembourg	Ms Maria Bekiari
Central Bank and Financial Services	TC 3055
Authority of Ireland	Ms Maria Lucia Marras
Central Bank of Cyprus	TC 1942
De Nederlandsche Bank	Mr Francois Zenner
Oesterreichische Nationalbank	TC 3522
Banco de Portugal	Mr William Molloy
Banka Slovenije	TC 2213
Národná banka Slovenska	Mr Costas Papadopoulos
Suomen Pankki	Mr Bob Copes
	Mr Wolfgang Hengelmüller
	TC 4324
	Mr Jorge Alves
	TC 3626
	Mr Peter Premrl
	TC 2841
	Ms Viera Pivarcova
	TC
	Mr Harri Lahdenperä
	TC 3814