

Foreign Exchange Contact Group
Frankfurt, Thursday 24 June 2010

SUMMARY OF THE DISCUSSION

1. Presentation of recent activities of the OMG

The Chair of the Operations Managers Group (Andreas Gaus – Credit Suisse) debriefed the group over recent activities of the OMG as well as the Joint Meeting of the US, UK and euro area Operational Groups that took place in London in May. He also informed the group that there are seats available in the OMG and invited FXCG members to flag to the OMG secretary their interest to propose a member from their institution.

Further information on the OMG can be found on the following web-page:

<http://www.ecb.europa.eu/paym/groups/omg/html/index.en.html>

2. Review of recent market developments

The Group reviewed and discussed the latest trends in FX markets, following the presentation made by Adam Cole, Global Head of FX Strategy at Royal Bank of Canada.

3. Electronic trading

Steve Toland, Head of FX Sales at EBS-ICAP, and Robert Mandeno, Global Head of Foreign Exchange Spot Trading and E-Commerce, made a presentation on recent developments in the field of electronic trading, and in particular the impact of algorithmic trading and the fragmentation of the market.

Steve Toland talked about the evolution of Application Programming Interface (API) trading on the EBS platform, including product offered, types of customers and volume splits. Trades originated by APIs stand for more than half of the average daily volume in EBS (the rest being manual trading). What is labelled as the Professional Trading Community (Hedge Funds, CTAs) is the largest user of APIs. APIs have in particular facilitated High Frequency Trading. Steve Toland opened up the discussion on the impact of APIs on market liquidity and on the efforts conducted by EBS to manage growth and maintain an orderly market.

Robert Mandeno described the various forms of API trading in Foreign Exchange. When executing clients' algorithmic orders, banks can either act as principal (giving access to their own liquidity pool)

or as agent (giving direct market access). Adequate controls are important, especially when clients have direct market access, in order to avoid outsized short term market moves. Algorithmic trading, including high frequency trading, contributes to market liquidity even in times of stress and there is no evidence that it increases the level of market volatility.

4. Prime brokerage

Dave Reid, Global Head of FX Prime Brokerage Sales at Citigroup, made a presentation on prime brokerage. He first gave a historical perspective. Prime brokerage started from the idea to give market access to large clients. The prime brokerage business is nowadays very much about technology (de-fragmenting the market with a unique trading venue for the client) and credit intermediation. Risk management has been under increasing focus post 2008, for both Prime Brokers and clients. In particular, risk management considerations have led clients to diversify their Prime Brokers.

5. Other Business

The next meeting will take place on 3 November 2010 from 16:00 to 19:00 at the ECB premises.

List of participants

Foreign Exchange Contact Group Meeting on 24 June 2010

Participant's organisation

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

European Central Bank
European Central Bank
European Central Bank
European Central Bank

Name of Participant

Mr Totsuka Shunichiro
Mr Rafael Martorell
Mr Bernard Sinniah
Mr Luis Soutullo
Mr Gerald Dannhäuser
Mr Martin O' Donoghue
Mr Steffen Orben
Mr Luigi Macalli
Mr Steve Toland
Mr Richard Oliver
Mr Morten Tysnes
Mr Roger Hawes
Mr Ed Monaghan
Mr Barry Wainstein
Mr Christopher Freeman
Mr Nick Crawford

Mr Francesco Papadia, Chairman
Mr Paul Mercier
Mr Ivan Fréchard, Secretary
Mr Orazio Mastroeni, OMG Secretary

Guest Speakers

Crédit Suisse
RBC
Citigroup
Deutsche Bank

Mr Andreas Gaus, OMG chair
Mr Adam Cole
Mr Dave Reid
Mr Robert Mandeno

National Central Banks

Banque Nationale de Belgique
Banco de España
Bank of Greece
Banca d'Italia
Banco de Portugal
Banque centrale de Luxembourg
Central Bank and Financial Services
Authority of Ireland
Central Bank of Cyprus
Central Bank of Malta
De Nederlandsche Bank
Oesterreichische Nationalbank
Banka Slovenije
Suomen Pankki

Ms Katrien Baetens	TC 3231
Mr Fernando Arranz	TC 3432
Ms Maria Bekiari	TC 3055
Ms Maria Lucia Marras	
Mr Jorge Alves	TC 3626
Mr Francois Zenner	TC 1942
Mr William Molloy	TC 3514
Mr Charis Zannettou	TC 2241
Mr Mario Bugeja	TC 2614
Mr Paul Buijs	TC 3132
Mr Wolfgang Hengelmüller	TC 4324
Mr Mateja Pavlic	TC 2841
Mr Tuomas Välimäki	TC 3814