



EUROPEAN CENTRAL BANK

EUROSYSTEM

Foreign Exchange Contact Group

Frankfurt, Wednesday 21 November 2007

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 Mansoor Mohi-uddin, FX strategy at UBS.

2. Presentation of LAVA FX and views on the future of e-FX

David Ogg, Chief Executive Officer, Lava FX presented the different LAVA FX trading platforms i.e. the buy-side platform, the interbank only platform. Moreover, he gave details about the new order management system (order book) which is now available as a product for banks. The features and functionality of the platforms were highlighted such as full depth and book display, the average weighted execution, the possible interfaces, real time net or gross credit checking etc. An explanation was given on the special and algorithmic order types that are available for execution. David also gave some details on dark pools or hidden liquidity that he assesses can represent up to 16 percent of market share in equity markets.

He also shed some light on LAVA FX's view on the way e-commerce will develop in the future, with the technology factor being the key to future success. The trend seems to be for an ever increasing electronic trading market share. Scalpers and latency arbitrage emerged on the buy side, but banks have responded accordingly, as they are gaining in sophistication. Finally algorithms are coming into play.

3. MiFID

Richard Haynes, Citigroup, presented the main features of the Markets in Financial Instrument Directive (MiFID) as it applies in the FX market and how it is implemented in UK since 1 November 2007 and elsewhere in Europe. He particularly specified the FX instruments that are in the scope of MiFID. There is a number of applicable MiFID requirements e.g. best executions for clients, client classification, suitability, etc. Best execution is probably the one which attracts generally most attention. It applies when the orders are executed on behalf of a client, except where specific instructions are given and followed, or whenever it is agreed to achieve the best price. It must be ensured that a firm adopts a policy reasonably designed to ensure best execution over a period of time. The policy should include appropriate factors that are considered for the best execution such as price, costs, size, speed of execution, liquidity, etc. A firm will need to be able to demonstrate to its regulators that it complies with the policy.

The internal impact on the organisation, is mostly in terms of a one-off compliance costs. From an operational point, clients need to be entered into a classification, however there is little material change in the way the Front Office does business at this time.

4. Other business

- a.) The new Operations Managers Group's Chairman, Mr Rene Steenhardt introduced himself and informed the member about the OMG future activities that are concentrated on operational efficiency. He emphasized OMG's role as a forum for sharing experiences similar to the FXCG. Furthermore, he highlighted that he is very much in favour of further strengthening the contacts with the FXCG and MMCG and the international sister groups.
- b.) The work programme for 2008 was discussed and tentatively finalised for the full year.
- c.) The meeting day calendar for 2008 was circulated
- d.) The next meeting will take place on 5 February 2008 at the ECB premises.

Annex 1**LIST OF PARTICIPANTS**

Participant's organization	Name of participant	
Bank of Tokyo-Mitsubishi UFJ	Mr Kazuki Fukunaga	
BBVA	Mr Jose Manuel Sanchez	
BHF-Bank	Mr Jörg Isselmann	
BNP Paribas	Mr Patrick Mauberque	
CECA	Mr Luis Soutullo	
Citigroup	Mr Bernard Sinniah	
Credit Suisse	Mr Toby Cole	
Deutsche Bank AG	Mr Stefan Bender	
Dexia-Bil	Mr Joseph Hensen	
Nordea AB	Mr Morten Tysnes	
Royal Bank of Canada	Mr Mark Iles	
Royal Bank of Scotland	Mr Roger Hawes	
State Street Global Markets	Mr Chris Freeman	
The Bank of Nova Scotia	Mr Barry Wainstein	
Société Générale	Mr Lars Hakanson	
UBS	Mr Mansoor Mohi-uddin	
OMG Chairman	Mr René Steenhardt	
European Central Bank	Mr Francesco Papadia - Chairman	
European Central Bank	Mr Werner Studener	
European Central Bank	Mr Etienne Port - Secretary	
Banque Nationale de Belgique	Ms Axelle Waterkeyn	Teleconference
Deutsche Bundesbank	Mr Martin Breves	
Banco de España	Mr Jose Luis Jimenez	
Banque de France	Ms Emmanuelle Assouan	Teleconference
Bank of Greece	Mr Panagiotis Pliatsikas	
Central Bank and Financial Services Authority of Ireland	Mr William Molloy	
Banca d'Italia	Mr Antonio Marras	
Banco de Portugal	Mr Jorge Alves	
Banque centrale du Luxembourg	Mr Francois Zenner	
De Nederlandsche Bank	Mr John Thoolen	
Oesterreichische Nationalbank	Mr Wolfgang Hengelmüller	Teleconference
Banka Slovenije	Mr Matevz Zbasnik	Teleconference
Suomen Pankki	Mr Harri Lahdenperä	Teleconference

Guest speakers

Mr David Ogg, LAVA Trading
Mr Richard Haynes, Citigroup