



EUROPEAN CENTRAL BANK

EUROSYSTEM

Foreign Exchange Contact Group

Frankfurt, Wednesday 10 June 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 Michael Metcalfe, head of macro strategy at State Street.

2. Overview and future of the e-Trading Platforms

Luigi Macalli (FXCG member from Dexia) gave an overview of the e-Forex market. For the first time, the e-Forex market has taken the lead in 2008 over other trading channels in terms of market share. The Retail FX market has in particular had a strong growth. Algorithmic trading represents a significant share of e-FX volumes. The presentation opened up to the main issues and challenges for the future of e-Forex, in particular automation and liquidity.

Then Richard Olsen, chairman and co-founder of Oanda, presented the business model of Oanda. Oanda is an on-line currency trading platform for retail and institutional investors. Advanced technology allows Oanda to apply narrow bid-offer spreads, second by second interest rate payment and instantaneous settlement. The average ticket number per day is 500,000. Mr. Olsen also gave some insight how technology could provide some answers to the broader issues of market liquidity and volatility.

3. Outlook for the Renminbi

Derek Halpenny, European head of global currency at Bank of Tokyo-Mitsubishi, made a presentation on the outlook for the Chinese Renminbi. The real effective exchange rate of the Renminbi appreciated substantially in the last few years, underpinned by strong fundamentals and substantial cross-border inflows. Fiscal stimulus is countering the impact of the world economic slow-down. In 2007 and 2008 the EU has surpassed the US as export destination. Export growth to the US has lagged since the peg was abandoned. The official reserves published by the People's Bank of China and US cross-border flow data show that the US dollar composition in total state foreign assets has increased lately.

China is developing its financial markets in preparation for a gradual opening up of its financial markets. In particular, China has taken measures to facilitate the convertibility of the Renminbi. Regarding the outlook for USD/CNY, little further adjustment is expected over the remainder of 2009 and 2010, which equates to renewed CNY appreciation on an effective basis if the dollar appreciates generally.

4. Other business

The next meeting will take place on 8 September 2009 from 16:00 to 19:00 at the ECB premises.

List of participants

Foreign Exchange Contact Group Meeting

On 10/06/2009, in CII, 36th floor, from 13:00 to 16:00

Bank of Tokyo Mitsubishi UFJ	Mr Shunichiro Totsuka
BHF Bank AG	Mr Jörg Isselmann
BNP Paribas BFI	Mr Rafael Martorell
CECA	Mr José Manuel Villaverde
Citigroup	Mr Bernhard Sinniah
Credit Suisse	Mr Martin Wiedmann
Deutsche Bank AG	Mr Stefan Bender
Dexia BIL	Mr Louis Macalli
ICAP	Mr Steve Toland
Nordea	Mr Morten Tysnes
Nova Scotia Capital	Mr Stephen Hasler
Royal Bank of Scotland	Mr Roger Hawes
State Street	Chris Freeman
UBS AG	Mr Reto Stadelmann
European Central Bank	Mr Francesco Papadia, Chairman
European Central Bank	Mr Ivan Fréchar, Secretary

Guest Speakers

State Street	Mr Michael Metcalfe
Bank of Tokyo Mitsubishi UFJ	Mr Derek Halpenny
Oanda	Mr Richard Olsen

National Central Banks

Banco de España	Mr Emilio Rodriguez	
Banque de France	Ms Marie Prouille	TC
Banque Nationale de Belgique	Mr Francois Biquet	TC
Bank of Greece	Mr Efthymios Gatzonas	TC
Banca d'Italia	Ms Maria Lucia Marras	
Banco de Portugal	Mt Jorge Alves	
Banque centrale de Luxembourg	Mr Francois Zenner	TC
Central Bank of Ireland	Mr Michael Maher	TC
Central Bank of Malta	Mr Saviour Briffa	TC
Central Bank of Cyprus	Mr Costas Papadopoulos	TC
De Nederlandsche Bank	Mr Ewout van Ommen	
Oesterreichische Nationalbank	Mr Walter Benesch	TC
Banka Slovenije	Mr Peter Premrl	TC
Suomen Pankki	Mr Harri Lahdenperä	TC