

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

<u>Participant's organisation</u>	<u>Name of Participant</u>	
Bank of Tokyo Mitsubishi UFJ	Mr Totsuka Shunichiro	
BNP Paribas BFI	Mr Rafael Martorell	
Citigroup	Mr Bernard Sinniah	
CECA	Mr Luis Soutullo	
Commerzbank	Mr Gerald Dannhäuser	
Credit Suisse	Mr Martin O' Donoghue	
Deutsche Bank AG	Mr Steffen Orben	
Dexia	Mr Luigi Macalli	
ICAP	Mr Steve Toland	
Morgan Stanley	Mr Richard Oliver	
Nordea	Mr Morten Tysnes	
Royal Bank of Scotland	Mr Roger Hawes	
Royal Bank of Canada	Mr Ed Monaghan	
Scotia Capital	Mr Barry Wainstein	
State Street	Mr Christopher Freeman	
Unicredit	Mr Nick Crawford	
European Central Bank	Mr Francesco Papadia, Chairman	
European Central Bank	Mr Paul Mercier	
European Central Bank	Mr Ivan Fréchar, Secretary	
European Central Bank	Mr Orazio Mastroeni, OMG Secretary	
<u>Guest Speakers</u>		
Crédit Suisse	Mr Andreas Gaus, OMG chair	
RBC	Mr Adam Cole	
Citigroup	Mr Dave Reid	
Deutsche Bank	Mr Robert Mandeno	
<u>National Central Banks</u>		
Banque Nationale de Belgique	Ms Katrien Baetens	TC 3231
Banco de España	Mr Fernando Arranz	TC 3432
Bank of Greece	Ms Maria Bekiari	TC 3055
Banca d'Italia	Ms Maria Lucia Marras	
Banco de Portugal	Mr Jorge Alves	TC 3626
Banque centrale de Luxembourg	Mr Francois Zenner	TC 1942
Central Bank and Financial Services Authority of Ireland	Mr William Molloy	TC 3514
Central Bank of Cyprus	Mr Charis Zannettou	TC 2241
Central Bank of Malta	Mr Mario Bugeja	TC 2614
De Nederlandsche Bank	Mr Paul Buijs	TC 3132
Oesterreichische Nationalbank	Mr Wolfgang Hengelmüller	TC 4324
Banka Slovenije	Mr Mateja Pavlic	TC 2841
Suomen Pankki	Mr Tuomas Välimäki	TC 3814