



EUROPEAN CENTRAL BANK

OPERATIONS MANAGERS GROUP

12 April 2006

**SUMMARY OF THE
OPERATIONS MANAGERS GROUP MEETING
6 MARCH 2006**

1 Introduction from the chairman

The chairman welcomed the participants and introduced the two guests Ms Kathryn Wakeman and Ms Julie Moore from the FSA who would give a presentation on the UK's resilience benchmarking project.

2 Approval of the agenda

The members approved the agenda of the meeting.

3 Reporting

3.1 FXCG & MMCG

- *MMCG Meeting 16 February*

The secretary of the MMCG, briefed the OMG on the main issues discussed during the last MMCG meeting.

- *FXCG Meeting 2 March*

The secretary of the FXCG, briefed the members on the last FXCG meeting that took place on 2 March 2006

3.2 Euro CLS group & G10 FX Survey

The secretary of the EuroCLS group briefed the members on the last meeting of the EuroCLS group (20 October 2005) during which new instruments and additional settlement cycles were discussed. Following up on the discussion on CLS pricing during the last OMG meeting, it was recalled that CLS amended its pricing schemes as from the beginning of this year and envisages further reductions in the future.

In addition, he informed the group about the set-up and time schedule of the G10 FX survey. Besides the questionnaire which was submitted via the central banks, central bank representatives will also organise interviews to discuss qualitative issues. Results might be expected by the end of this year.

3.3 DNB seminar on Business continuity planning and crisis management

The DNB representative briefly reported to the group on the objective of the seminars on Business Continuity Planning as well as the main topics discussed. The focus of the seminar was the core financial infrastructure in the Netherlands. The programme included contributions from the financial authorities, the Dutch Intelligence Agency, the Bank of England/FSA, as well as from one financial institution and one settlement institution. Such events allow for sharing of experience, best practices and networking. They furthermore show that in the area of BCP there is no need to compete, rather the contrary is true. The added value of organising such a conference lies in the increased attention of the industry, increased active involvement of different disciplines (BCP, securities, payments, etc) and regular meetings of the newly created BCP platform with a broad representation.

In the discussion that followed it became apparent that so far none of the members had experience with testing the business continuity arrangements of Front office and Back office at the same time during business hours, as up to now the related risks for the organisation of such a test have always outweighed the expected gains.

4 Contingency Planning

4.1 Resilience Benchmarking project

In the UK the Tripartite Authorities (FSA, HM Treasury and Bank of England) have, in partnership with key participants in the UK, carried out a very comprehensive Resilience Benchmarking project. The main findings were published in a discussion paper last December. The Head of Resilience Benchmarking at the FSA, Kathryn Wakeman, and her colleague Julie Moore presented the objectives of their project, the findings and the tools used.

The main findings included:

- *The individual participants, specifically core firms and financial service providers, have highly resilient IT systems in place. Improvements could be made with regard to strengthening the collective resilience by cooperating more closely with third parties.*
- *The bulk of the critical financial infrastructure can be recovered within 2 hours of invocation plans. Within 4 hours, core firms can recover an average of 60-80% of normal volumes and values for wholesale payments, trade clearing and settlement.*
- *A 'natural' reaction in case of a disaster seems to be finish the day, settle what needs to be settled, before potentially initiating new trades.*

- *There is a heavy concentration of primary and recovery sites in London and concentration on a few financial infrastructure providers.*

The results do not suggest that there is a need for the FSA to be more prescriptive concerning the business continuity approach to be followed; instead it is being considered to publish specific targets.

Noteworthy was the strong interest of the financial institutions to participate to the survey. More than 70 institutions participated, which were being charged for doing so. Participants were not only UK based institutions, but also institutions which were identified as being important for the UK financial industry.

The industry experts involved in the elaboration of the online questionnaire contributed extensively, thereby doubling the total number of questions (approximately 1000). Around 90% of the answers could be processed automatically, with the remaining 10% requiring some manual intervention as they contained some free text. It is currently planned to roll out a 'lighter' version of the questionnaire, with less questions, to other institutions. Several participants already indicated that they have upgraded their contingency capabilities following the results of the questionnaire. Such upgrades could be reflected in the updated online questionnaire.

After the presentation, the members of the OMG were invited to have an exchange of views on the possibility to perform a similar exercise, probably with a narrower scope, for the euro area.

OMG members clarified that they were interested in further analysing the possibility to 'use' the online questionnaire for a similar exercise concentrating on trading aspects mainly.

In this context, the ECB's DG-P representative informed the group that the public consultation on "Business Continuity for systemically important payment systems (SIPS)" has now ended.

4.2 Task Force on Contingency Planning

The DNB representative (DNB) presented two ideas concerning a case study to be carried out by the task force on contingency which could be interesting for the whole OMG. The members showed interest in the proposals as listed in the work programme, such as looking into a Bank holiday and/or a SWIFT outage. In this context it was stressed that it should not be the intention to 'solve' a complete outage of the SWIFT network, but rather to assess what financial institutions could do in case their connection would be disrupted for a longer period of time.

4.3 Business Continuity Procedures

Following the approval of the Business Continuity Procedures during the October meeting, it was proposed to initiate the relevant follow-up actions such as testing the teleconference arrangements. Four were proposed for scheduled teleconference tests. It was announced that when the testing in the first half of the year is successful, a next step would be to organise the tests in a different set-up, e.g. with alternates, using mobile phones and/or unannounced.

In line with the business continuity procedures, the OMG choose an alternate chairman (preferably located in another location than the chairman). Specifically with a view to the teleconference arrangements the importance of up to date contact details was emphasised.

5 Task Force on Trade Confirmations

The chairman welcomed the new chairman of the Task Force on Trade Confirmations. Three members volunteered to participate to the work of this Task Force.

The TF aims at preparing best practices for Trade Confirmations, specifically for non-vanilla type products, thereby also including the non-banking sector. Issues to be addressed include the need for confirmations, the timing and the format, thereby allowing straight through processing. When finalised, the best practices could be published on the ECB webpage for the contact groups.

6 Global Conference 2007

The secretary of the group briefly presented the framework of the previous conferences (US in September 2003 and UK in April 2005). Next year's conference will be organised by the ECB, in spring 2007, and will last 2 days. There is already a need now to start working on the topics, themes and speakers. Members were asked to contribute to the preparation of the conference agenda and the nomination of speakers. As indicated in the work programme a dedicated Task Force would be created for this purpose, with the administrative organisation to be taken care of by the ECB. One member indicated that the agenda of the UK conference was very much FX focussed, which initiated an exchange of views on the preferred agenda for the next conference. It was furthermore proposed to more actively involve the Asian colleagues.

7 Any other business

- Contact group webpage: update on the project

The secretary of the group provided an update on the website project for the three contact groups. She briefly presented the planned structure of the website and the items that could be published in the future. The focus would be on documents, reports and/or presentations reflecting the work of the OMG, but it is also intended to publish the meeting summaries. It is currently planned to have the website fully operational by the summer of this year.

8 Next meetings

The next meeting will take place in Dublin on 29 May 2006 and the following agenda items were tentatively agreed:

- Members' presentations on their internal organisation;
- Prime brokerage in operations.

Participant's organisation	Name of participant
AIB Global Treasury	Mr Paul Dillon (Chairman)
ABN Amro Bank	Absent
Banca Intesa	Mr Francesco Manuele
BNP Paribas	Ms Sophie Gatellier
Calyon Bank	Mr Laurent Côte
Commerzbank AG	Mr Roland Kipper
Deutsche Bank AG	Absent
DEXIA-BIL	Mr Romain Thill
Dresdner Bank AG	Mr Heiko Kroeber
Fortis Bank	Mr Marc Camus
HSBC Bank	Mr Chris Roberts
Nordea Bank	Ms Marianne Sørensen
Rabobank	Mr René Steenhardt
Santander Central Hispano	Mr Angel del Amo Arcones
UBS	Absent
Deutsche Bundesbank	Mr Wolfgang Schulte (alternate)
Banque de France	Mr Yves-Henri Normant
De Nederlandsche Bank	Mr Gerard Scheepers (alternate)
European Central Bank	Ms Annemieke Bax (Secretary)
	Mr Eric Vermeir
	Mr Micael Fellman
	Mr Otto Heinz
	Mr Helmut Wacket
	Mr Chrissanthos Tsiliberdis
Guest speakers:	Ms Kathryn Wakeman, FSA
	Ms Julie Moore, FSA