



EUROPEAN CENTRAL BANK

EUROSYSTEM

OPERATIONS MANAGERS GROUP

ECB-PUBLIC

14 June 2011

SUMMARY OF THE MEETING
ECB OPERATIONS MANAGERS GROUP (OMG)
ZURICH, 19-20 MAY 2011
(hosted by Credit Suisse AG)

1 Approval of the agenda

The Chairman (A Gaus, Credit Suisse) welcomed the participants in Zurich. The agenda was approved.

2 Private Banking Operations at Credit Suisse

M Bazzani (Credit Suisse) presented the organisational allocation of CS private banking operations. In order to achieve premium banking products, support and processing, CS is concentrating its attention on making processes more cost-efficient, minimising risk and leveraging the bank's strengths. Challenges in this sense come both from internal sources (e.g. "Front" area demands) as well as from external constraints (regulatory, legislative and technological). In CS, private banking operations across Europe are run on a centralised platform, this has a positive impact as it aligns and harmonises governance and organisational set-up. Standardised functions are outsourced to external areas within Europe to reduce the cost structure.

3 Recent financial markets developments

L Kalbreier (Credit Suisse) reviewed the current economic realities in various geographic areas. In the US, macro data shows signs of improvement on the back of monetary and fiscal expansion; however, risks remain in terms of US debt reduction, possible inflationary pressures and high levels of unemployment. In Europe, debt consolidation and deficit cutting are currently high on the agenda as a reaction to the sovereign debt crisis. This generates increasing austerity and debt consolidation measures (including lowering pensions and increasing public revenues) affect consumer sentiment, also in the medium term and undermine consumer confidence which, with the exception of Germany, remains subdued. In Emerging Markets, retail sales are growing rapidly - emerging markets account for an increasing share of global consumption, at the expense of other areas, notably the US. The debt outlook is much better in this area, also because of better age distribution; higher inflation and long-term overheating of the economies remain a threat.

4 FX Industry Trends

In a teleconference from Singapore, M Wiedmann (Credit Suisse) reviewed the industry trends in a mature market as is FX currently. He identified a number of elements that characterise the current FX market: increased competition, technology and commoditisation are leading to lower margins and diminishing spreads in a world where a changing regulatory framework is affirming more transparency. There is increased pressure for firms to adjust their business models; possible alternatives include striving to achieve a bigger presence in specific market segments, positioning themselves into profitable niches or otherwise reducing or stepping out altogether from unprofitable segments. If central clearing is enforced, despite the netting effect from using a clearer, a greater amount of collateral for margining will be required, this could lead to an increased cost of funding.

5 The changing regulatory landscape

K. Studd and B. Cohen (Credit Suisse) presented some views on post-crisis regulatory landscape, themes and challenges. In their opinion, the paradigm for regulation has shifted compared to the pre-crisis period. Firstly, strong political pressure has piled on legislators and regulators to act promptly in adopting the required framework; there is explicit emphasis on a coordinated approach across jurisdictions and regulators; the post-crisis “moderation” enacted by most entities will not involve a reversion to pre-crisis norms. Secondly, a low tolerance threshold has set in: “the bar has been raised” in the view of the authors; standards used in pre-crisis times are no longer acceptable in a post-crisis world (there are increased expectations on implementing controls and a reduced tolerance for breaches and non-adherence). Finally, the dynamics of interaction between regulators and market participants has changed: there is an intensified and continuous approach to oversight and an increased information exchange requirements as to volume of information and deadlines as well as a heightened use of available instruments (e.g. stress tests, enforcement instruments).

6 Activities of the OMG Working Groups

A Gaus (Credit Suisse) explained the recent progress made in the Working Group on Best Practices and reviewed the state of implementation. J Hill (RBS) mentioned the recent discussions in the Working Group on SSIs and about possible requirements for vendors. D. Haid (UBS) gave a status update about ongoing work in the FXC OMG and also reported on the recent “FED letter” targets by market participants.

7 Next OMG meeting

The next OMG meeting has been rescheduled to 15 November 2011, in Frankfurt. OMG members were also informed about the intention to organise the 2011 edition of the Global Meeting of the Operations Groups - further details would be communicated as soon as available.