

ACI BRIEFING

NEWS FROM THE FINANCIAL MARKETS ASSOCIATION

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ACI - The Financial Markets Association is approaching its 50th anniversary and continues to work for its members in more than 66 countries. ACI is widely regarded as the leading association representing the interests of the financial markets and actively promotes the educational and professional interests of the markets and industry through its Board of Education and Committee for Professionalism.

If you would like to become a member of ACI, or are aware of somebody who would, contact ACI at secretariat@aciforex.com or phone +33 1 42 97 51 15 for further details.

ECB MM Survey Reveals Mixed Results

The fifth Euro Money Market Study conducted by the European Central Bank indicates that aggregated turnover in the euro money market stagnated in the second quarter of 2004 compared to Q2 2003, the time of the last survey. The underlying data from the survey reveals mixed results, with the overnight interest rate, cross currency and FX swaps markets showing a decline in turnover, however turnover in the unsecured, secured, other interest rate swap, FRA and short term securities markets showed an increase.

The survey was conducted by the ECB and the 15 national central banks that were members of the European System of Central Banks (ESCB) and obtained results from 124 banks from the Eurozone, Sweden and United Kingdom.

One of the notable developments in the latest survey is the marked contraction in turnover in

the overnight interest rate swap segment after a strong increase in Q2 2003, the ECB says in its report, adding that this was probably linked to a reduced level of interest rate speculation in the 2004 survey period. "The creation of a new benchmark (the EONIA Swap Index) by EURIBOR-ACI for the overnight interest rate swap market will probably further stimulate the development of this market segment," the report states.

The new index could promote the development of the swap market in three ways, the report claims. Firstly, it will serve as a controlling and valuation tool and set the basis for market conformity checks by participants against an official reference rate. The fixing time of 16.30 CET ideally supports this function, the ECB says.

Secondly, it will lead to product development and market enhancements. A new EONIA swap FRA product is already planned between two

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Bank of England Presents to ACI UK

ACI UK held the latest in its series of Speaker's Evenings recently and attendees at the event, which took place at Citigroup Centre in London's Canary Wharf, heard a very interesting presentation from Stuart Berry of the Bank of England on the central bank's plans for the reform of its sterling money market operations. The reform process was started in late 2003 by the Bank of England, which commenced a long consultation period, and culminated in the recent publication of a paper on the new framework (available from the bank's website, www.bankofengland.co.uk). The aspiration is that the new system will be implemented in May-June 2006.

Berry explained to the ACI UK gathering that the Bank's official operations had two purposes, to implement the Monetary Policy Committee's (MPC) interest rate decisions and to meet the banking system's liquidity need in both routine and stressed conditions. In doing so, he told the meeting, it can influence liquidity conditions in the markets and enable banks to manage their liquidity prudently and actively.

The key purpose of the proposed reform is to reduce the level of volatility of overnight interest rates and, as such, keep them in line with the MPC official rate and maintain a flat curve to the next MPC meeting. Further, the

Bank of England hopes that it will establish an efficient, safe and flexible framework for banking system liquidity management, provide a simple, straightforward and transparent framework, and above all, competitive and fair sterling money markets. A greater level of interaction with the financial markets will also, Berry acknowledged, enable the Bank to broaden its market intelligence network.

The current system is in need of reform, the Bank says, because aside from overnight rates being more volatile than desirable – due in part to what it terms "pivoting" ahead of policy decision dates because the Bank lends at the policy rate for two week maturities. Additionally the Bank is aiming to simplify its operations by reducing the number of times it operates in the market, which currently can be up to four times each day as forecasts for the system's liquidity need are updated. It would also like to reduce the complexity of the end of day arrangements, as banks seek to balance their books.

The proposal from the Bank of England seeks to widen the number of banks and building societies with access to central bank money. Currently the Bank only deals with 12 settlement banks and 17 open market operations counterparties (some institutions are members of both lists). Berry also noted that the new system could act as a crisis manage-

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ment backstop in that a wide range of banks and building societies should have access to the central bank for liquidity.

DETAIL

Under the new system, the current methodology will be replaced with a voluntary reserves arrangement under which scheme members will choose a target, subject to ceilings of the higher of GBP 1 billion or 2% of sterling eligible liabilities, for their average reserve balance over the course of a maintenance period, which will run from one scheduled MPC decision date to the next. These reserves will be remunerated at the MPC official rate, provided the average balance throughout the month is within 1% of the target. Settlement banks will hold a Real Time Gross Settlement (RTGS) account and non-settlement banks will be able to shift funds, on and off, until CHAPS closes.

The Bank's open market operations will move to a weekly tender for one-week reverse repo at the MPC official rate, thus meaning that the entire stock of lending is rolled weekly. There will also be a fine tuning operation on the final day of the maintenance period. The aim of the operations will be to lend just sufficient money for reserve scheme members to hit their reserve targets in aggregate. The operations will assume an even pattern of reserve holding, Berry explained, and the eligible collateral will remain the same (mainly gilts and euro government debt). The Bank will also offer overnight lending and deposit facilities at the MPC official rate +/- 100bp to a wide range of banks and building societies. On the final day of the maintenance period this parameter shrinks to +/- 25bp.

Existing settlement banks will automatically become reserve scheme members, and all cash ratio deposit (CRD) paying banks and building societies and securities dealers that are active intermediaries in the sterling money markets, may also become OMO counterparties, subject to standards of prudence and risk.

SHOCK ABSORBER

As far as the setting of official rates is concerned, Berry told the meeting that the Bank could control the floor and ceiling for market rates through its willingness to lend or borrow at a certain rate. This also means, he added, that the Bank can control the range in which overnight market interest rates trade. On the final day of the maintenance period the narrow standing facility corridor would constrain rates directly. And provided the right amount of liquidity was in the system to hit reserve targets, market rates should trade towards the centre of that corridor. The routine fine tuning open market operation and the specification of reserve targets as a range should ensure that the right amount of money is available to hit reserve targets. "This means that market participants can expect market rates in line with the MPC's official rate on the final day of the period," Berry pointed out.

On other days of the maintenance period, reserve averaging should smooth interest

rates, effectively acting as a shock absorber for the system. Active management of reserves throughout the maintenance period is intended to keep market rates close to the MPC's official rate. "Some members will also be able to choose when to hold reserves - higher reserves when market rates are lower than expected on the final day, and lower reserves when the rate is higher, effectively meaning that they can borrow or lend reserves at the repo rate throughout the maintenance period," Berry explained.

A banking system liquidity management feature of the proposed reform will be that the standing facilities corridor will act as a liquidity insurance for most days of the maintenance period (rather than a rate-setting mechanism). Also, the Bank could intermediate the flow of funds if the money market was disrupted by a crisis. The use of reserve averaging will also simplify the banks' liquidity management during the period, as they will not have to square up each day. Further, Berry told the meeting, "The reserves target will be specified as a range rather than a point, thus enabling simpler end of day operations on the final day of the maintenance period."

SINGAPORE UNVEILS NEW TRAINING DATES

ACI Singapore has released the dates for the 7th, 8th and 9th intakes for its Settlements Operations Training Course, which is sponsored by the Monetary Authority of Singapore. Since the first intake was inducted in October 2004, over 140 delegates have attended the course. The 7th intake is scheduled to commence on July 12 2005, further details can be found by contacting Juliet Pang on 62278110.

ACI Singapore continues to run a very active educational programme and later this year it will host two events in addition to its routine of ACI examinations. It has scheduled a Basel II Seminar for September 28 and an ACTS-ACI Singapore Joint Treasury Conference for October 5. Further details will be released on the ACI Singapore website, listed on page 11 of this issue, as and when they become available.

ACI SECRETARIAT. The secretariat's office is open daily from 9:00 am until 5:00 pm (Paris time):

ACI Secretariat, Attn: Natalie van Drenth
8 Rue du Mail, 75002, Paris, France
Tel: +33 1 42 97 51 15,
Secretariat@aciforex.com

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For editorial or advertising enquiries, contact the editor on:

Tel: +44 (0) 20 7377 6716
Fax: +44 (0) 20 7426 0727
Email: colin_lambert@profit-loss.com
www.profit-loss.com

ATIC FOREX HOLDS ANNUAL "LIQUIDITY" EVENT

ATIC FOREX, the Financial Markets Association of Italy, and e-MID, the international online money market trading platform, held the 4th edition of Liquidity, the annual event dedicated to European money market professionals, on April 16 in Portofino, one of the most fascinating Italian coastal sites.

The forum, designed to present the most significant issues of concern to all senior members of the money market industry, offered a full programme of both business sessions and social events.

The business sessions featured a roundtable and a training course centred on the challenge of Basel II and IAS on money markets. ACI President Godfried De Vidts took part in the roundtable discussion and Euribor ACI's, Thierry Cazaux, took the opportunity to update the audience on the latest developments of the new EONIA Index project.

The social programme included a great opportunity to meet and network with market professionals in the usual convivial atmosphere. Almost 200 market professionals, most of them treasurers, participated in the event from 16 countries, 81 banks and three central banks.

During the event, the new ATIC FOREX board was officially presented to members. The board, elected by the General Assembly held in Modena last February, is composed among others of President Giuseppe Attanà (Banca Intesa), Vice-Presidents Guido Grossi (BNL) and Luciano Turba (BPU), General Secretary Marco Malvasi (BBVA) and Treasurer Ivano Rech (Mediolanum).

ACI ANNUAL REPORT AVAILABLE ONLINE

The 2004 Annual Report of ACI – The Financial Markets Association has been published and can be accessed on the association's website, www.aciforex.com.

CANADA TO HOLD ANNUAL CHARITY GOLF TOURNAMENT

The Financial Markets Association of Canada is to hold its annual charity golf tournament on Saturday, June 11 at the Golf de L'île de Montreal club. A brunch will be served before teeing off (between 10.00 and 11.00) and a dinner with the traditional reverse auction is scheduled for the evening.

Tickets are priced at CAD 180, further details and tickets are available from Martin Legault at Banque Nationale du Canada in Montreal on 514-394-8237 or martin.legault@tres.bnc.ca. Over the eight years that FMAC has been holding charity golf tournaments, it has managed to raise in excess of CAD 69,000.

ACI 2005 Congress Business Programme Complete

History beckons for ACI Sweden from May 26-28 when it not only hosts the 44th ACI International Congress, but also kicks off celebrations for ACI's 50th Anniversary. The organisers report the strongest delegate turnout since 1998 and the exhibition hall is fully booked.

The business programme for the ACI Congress in Stockholm later this month is ready to go and the line up of speakers is very impressive indeed, including eight central bankers and eight senior buy side representatives.

The business sessions kick off with the keynote address at 9.05 on Friday May 27 from Pär Nuder, Swedish Minister of Finance and will be managed by Professor Kjell Nordström who will present and comment upon the various panel discussions.

The programme, at time of going to press, is as follows:

Friday, May 27

09.15 – 11.00 Monetary and Exchange Rate Policies in the Past and in the Future

Moderator: Klas Eklund, Chief Economist, SE Banken

Panelists:

- Gertrude Tumpel-Gugerell, Member of Executive Board, European Central Bank
- Rachel Lomax, Deputy Governor, Bank of England
- Sheryl Kennedy, Deputy Governor, Bank of Canada
- Christine M. Cumming, First Vice President, Federal Reserve Bank of New York
- Eiji Hirano, Assistant Governor, Bank of Japan
- Ian Plenderleith, Deputy Governor, South African Reserve Bank
- Lars Heikensten, Governor, Sveriges Riksbank

11.45 – 13.00 Asset & Liability Management in an Ethical Perspective: A Contradiction or a Lifeline?

Moderator: Jan Häggström, Chief Economist, Handelsbanken Capital Markets

Panelists:

- Peter Norman, Executive President, Sjunde AP-fonden

- Frank Czichowski, Senior Vice President and Treasurer, KfW
- Per Åkerlind, Executive Director, CFO and Head of Capital Markets, AB Svensk Exportkredit
- Guobo Huang, Director-General, People's Bank of China
- Julie Hudson, Managing Director, Socially Responsible Investments, UBS
- Robert B. Litterman, Ph.D., Managing Director; Director of Quantitative Resources, Goldman Sachs

14.15 – 15.45 The Corporate Sector Challenges in an Environment with Accelerating Exchange and Interest Rate Volatility

Moderator: Jens Peter Neergaard, Executive Vice President, Danske Markets

Panelists:

- Tom Buschman, Treasury Development Manager, Shell International
- Mark Kirkland, Global Head of Financial Risk and Cash Services, Philips Electronics
- Jan Gurander, CFO, Scania AB
- Erik Öster Pedersen, Global Head of Financial Risk, IKEA

Saturday, May 28

09.15 – 10.45 Will There Still be a Need for Banks to Provide Financial Services in a New Platform-Based Market?

Moderator: David Clark, Honorary President of ACI – The Financial Markets Association

Panelists:

- Martin Grävare, Treasurer, SKF Treasury Centre
- Jörn Sodborg, Head of Trading, Jyske Bank, Silkeborg
- Mark Robson, Global Head of Treasury & Fixed Income, Reuters
- Adam Burke, Managing Director of Currencies & Commodities, JPMorgan Chase
- Jeremy Smart, Director of Global Currencies and Commodities, Deutsche Bank



44th ACI
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FXC Releases Give-Up Documentation



“The FXC says that the bilateral nature of the Master Agreement reflects the need for efficiency and standardisation, and takes into account the fact that a prime broker may designate a number of parties to engage in foreign exchange give-up transactions on its behalf pursuant to a single Master Agreement.”

Mark Snyder, FX Committee Chairman

The New York Foreign Exchange Committee (FXC) has published a Master FX Give-Up Agreement and invited market participants to use the document to record FX give-up relationships.

Give-ups are the key part of the prime brokerage process wherein a prime broker client deals with (typically) a bank in the FX market – that bank then “gives up” the trade to the prime broker for settlement, resulting in a transaction between the executing bank and the prime broker and an offsetting trade between the prime broker and client.

Prime brokerage has, until recently been predominantly aimed at the leveraged sector, however the release of EBS Prime for banks in May 2004, has seen the service's influence expand greatly. Although much work has been conducted on automating the give up process, led by Traiana's Harmony which linked AIG, Deutsche Bank and JP Morgan in its initial phase, no attempt has been made to produce standardised documentation.

The FXC says that the Master FX Give-Up Agreement is the result of in-depth discussions among market participants and contains generally accepted standard provisions addressing most aspects of the give-up relationship between a prime broker and an executing party. In addition, it says that with respect to a few provisions, the documentation permits parties to choose which of several clearly defined alternatives they want to apply in their agreement by selecting them in a schedule that is part of the Agreement.

The Committee adds that, as a result, the Agreement will greatly facilitate negotiation of give-up agreements and reduce the time and expense necessary to implement them.

It also recognises that parties can always choose to draft and negotiate documenta-

tion in a manner that fits the needs of a particular relationship or product and may choose to use other agreements to document give-up arrangements.

MECHANICS

The Agreement itself is a bilateral master agreement to be entered into by the prime broker and the executing dealer. A Give-Up Agreement Notice supplements the Master Give-Up Agreement and sets forth the terms under which the dealer may enter into foreign exchange transactions with a particular designated party pursuant to the Master Agreement. The FXC says that the bilateral

“While the risk of a trade being rejected by the prime broker has generally been considered by market participants to be minimal, the Committee believes that dealers should consider the execution of a Compensation Agreement as a means of addressing that risk.”

nature of the Master Agreement reflects the need for efficiency and standardisation, and takes into account the fact that a prime broker may designate a number of parties to engage in foreign exchange give-up transactions on its behalf pursuant to a single Master Agreement.

The Master FX Give-Up Agreement is accompanied by a Compensation Agreement, designed to be executed by the prime broker's designated party and a dealer. The Compensation Agreement provides

for the compensation of losses in the event that the give-up of a transaction is not accepted by the prime broker for whatever reason, typically a break down in procedures.

To reinforce the “best practice” aspect of the process by ensuring that systems and procedures are efficient, the Committee says that it recommends that dealers evaluate the likelihood that prime brokers will reject transactions when they enter into Master FX Give-Up Agreements and assess the possibility that they will incur trading losses as a result. In so doing, dealers should evaluate the controls they have in place to reduce the chance of incurring such losses. Such controls

can include internal procedures designed to reduce the possibility of executing trades that may be rejected, use of the Compensation Agreement or some combination of methods.

While the risk of a trade being rejected by the prime broker has generally been considered by market participants to be minimal, the Committee believes that dealers should consider the execution of a Compensation Agreement as a means of addressing that risk. Parties asked to sign a Compensation Agreement should recognise and understand the reasons a dealer would ask them to do so.

The Committee concludes by noting that it believes the new documentation – which follows the standard FXC policy of offering guidance and recommendations rather than rules for enforcement – will significantly assist participants in the foreign exchange market in the documentation of give-up relationships.

The documentation can be reviewed and downloaded from the FX Documentation section of the FXC's website at www.newyorkfed.org/fxc.

Invitation to the "EONIA Conference"

June 30th, 2005

Location: Bundesbank Branch Frankfurt, Taunusanlage 5
Time: 9:30 – 16:45 CET

Conference schedule

- 9:30 – 9:45 **"Introduction & welcome"**
 Achim Kraemer - Deutsche Bank Frankfurt,
 Chairman Euribor-ACI Derivatives Work.Group
 Thierry Cazaux – ETC Pollak Prebon Paris
 Président Euribor-ACI
- 9:45 – 10:15 **"3 European reference rates"**
 Godfried de Vidts - Fortis Bank Brussels,
 ACI President
- 10:15 – 10:45 **"European indices & the role of the European Banking Federation"**
 Guido Ravoet - FBE Brussels,
 Secretary General
- 10:45 – 11:15 **"Eonia Swap Market – Trends & developments"**
 Fabrizio Tallei - Banca Intesa Milan,
 Secretary Euribor-ACI Derivatives Work.Group
- 11:15 – 11:30 **Coffee Break**
- 11:30 – 12:15 "Importance of Eonia from a Hedge Fund perspective"
 Speaker will be announced
- 12:15 – 13:00 **"Markets turning electronic?"**
 Seamus Donoghue - Barclays Capital London,
 Head of Short Term Interest Rate Trading
- 13:00 – 14:00 **Lunch Break**
- 14:00 – 14:30 **"Eonia Swap Index – Reason & opportunities"**
 Achim Kraemer - Deutsche Bank Frankfurt,
 Chairman Euribor-ACI Derivatives Work.Group
- 14:30 – 15:00 **"Moneyline Telerate & the EONIA - Swap Index calculation process"**
 Louise Lomax - Moneyline Telerate,
 Director of Moneyline Telerate
- 15:00 – 15:15 **Coffee Break**
- 15:15 – 15:45 "European indices from a Central Banks perspective"
 Jean-Louis Schirmann - European Central Bank,
 Principal at Market operations / Front Office ECB
- 15:45 – 16:30 **"Use of reference rates in asset & liability management"**
 Kai Franzmeyer - Commerzbank Frankfurt,
 Head of Liquidity Management
- 16:30 – 16:45 **Closing Remarks**

Registration form

EONIA Conference in Frankfurt, June 30th, 2005

Location: Bundesbank - Branch Frankfurt
 Taunusanlage 5
 60329 Frankfurt am Main

Name : _____ MR. MRS.
 First Name : _____
 Institution : _____
 Phone : _____
 E-Mail : _____

I will attend the EONIA Conference YES NO

I will require hotel accommodation in Frankfurt YES NO

Payment:

To confirm this booking please transfer a fee of €50 to the following institution:

Bank : SEB AG München, Tal 15, D-80331 Muenchen
 Accountname : ACI Deutschland
 Account-Nr. : 120 402 690 2
 Zip code : 700 101 11
 IBAN-Nr. : DE 8070 0101 1112 0402 6902
 BIC code : ESSEDE5F700

Or send a cheque of €50 payable to "ACI Deutschland" and signed on both sides to:

Hans-Joachim Graf
 ACI Deutschland, c/o Finacor
 Westenriederstrasse 19
 D-80331 Muenchen

Please return this form no later than May 31, 2005 to the following contact person:

Natalie van Drenth
 ACI - The Financial Markets Association
 8 rue du Mail, F 75002 Paris
 Tel: +33 142 975 115, Fax: +33 142 975 116
 Email: aciparis@aol.com

Reservations will be confirmed upon receipt of deposit.

▶ CONTINUED FROM PAGE 1

counterparties. These parties are contracting an EONIA swap rate for an agreed period and notional amount for a future date. Two value days before the starting date of the EONIA swap, this contract will be fixed against the EONIA Swap Index. The contract will be settled in cash. Its settlement amount will be calculated from the difference between the agreed rate and the

Finally, the new index will serve as a benchmarking tool for the derivatives markets similarly to the EURIBOR and Eurepo indices at the short end of the European yield curves.

TRENDS

The ECB points out that one of the structural developments observed from the survey

while electronic trading accounts for a very large share of total activity in this market, it remains marginal in most of the OTC derivatives markets."

Two changes were made to the 2004 survey. For the first time, data on tri-party repos were collected and included as a separate asset class along with bilateral repos. Secondly, in the qualitative part of the survey, a question about the share of transactions executed spot and forward was also added.

The ECB stresses that the quantitative data published were not obtained from the standard reporting systems of credit institutions. Collecting data from a cross section of institutions implies that the survey does not provide comprehensive information on volumes in the euro area, rather the purpose is to highlight trends affecting the market's structure. It further points out that although 124 banks were surveyed, they did not all complete every part of the survey.

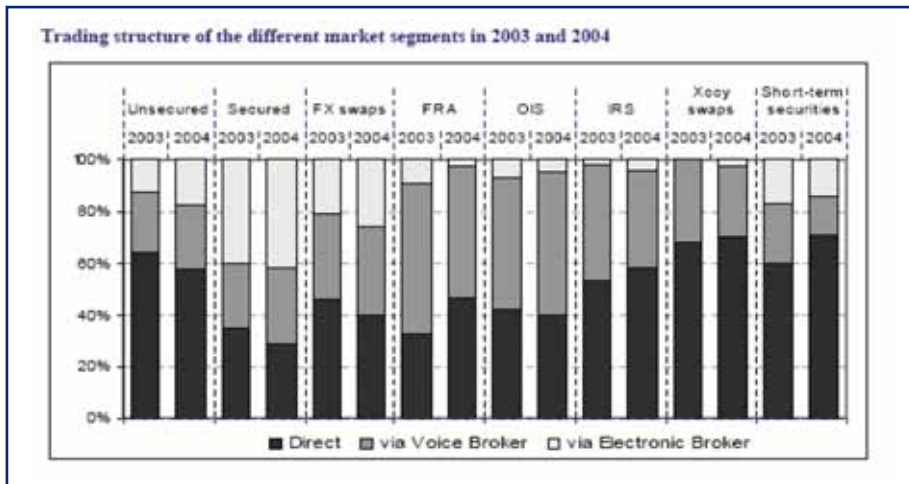
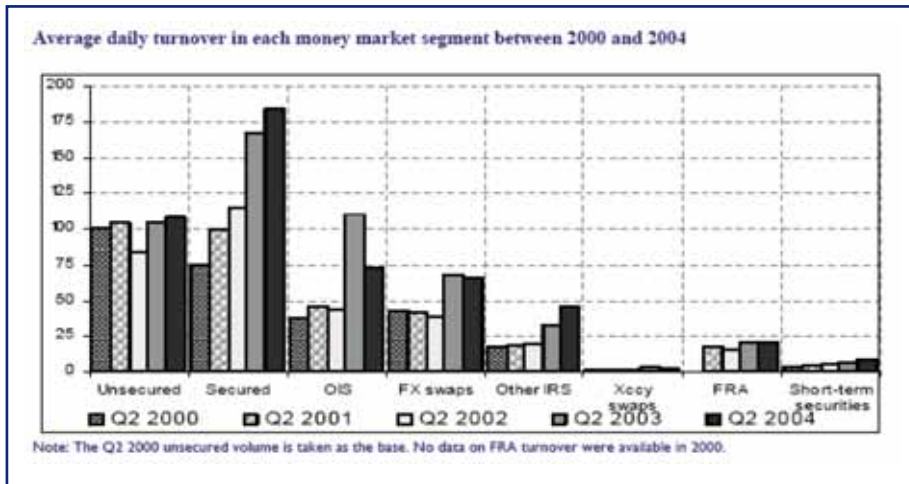
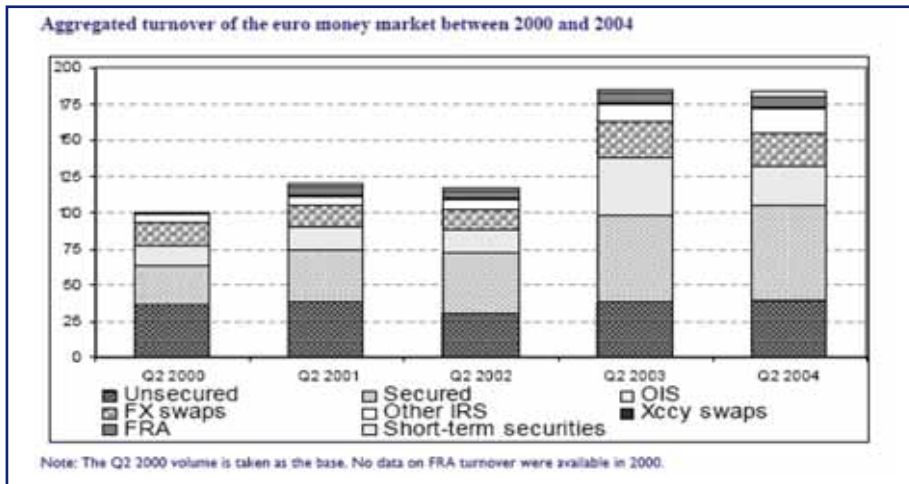
The ECB says that a five-year comparison of turnover in the unsecured money market showed moderate growth (+7%) in trading volumes. A deeper analysis highlights some interesting phenomena behind the overall data. The moderate growth is the result of a large decline in market activity in the second quarter of 2002, followed by steady growth in the last two years. As indicated in the 2002 money market study, the environment of great uncertainty after the attacks in the United States on September 11 affected market activity negatively in 2002. The decline was more pronounced for lending activity (-26%) than for borrowing activity (-13%). Since the second quarter of 2002, however, activity on the unsecured market has experienced a relative recovery, with trading volumes returning to the daily turnover prevailing in 2001.

The survey confirms the upward trend in turnover in the secured market. Between the second quarter of 2000 and the second quarter of 2004, overall activity in the secured market increased by 147%. Since 2000, reverse repo transactions increased by a yearly average of 22%, while repo transactions grew by a yearly average of 28%. The growth of the repo market in 2004 was, however, less significant than in the previous year. While the rate of growth was around 24% for reverse repos and 67% for repos from 2002 to 2003, the rate of growth from 2003 to 2004 was only around 4% and 14%, respectively.

One of the reasons for the lower growth rates, the ECB says, is that the secured market has become a more mature market. Another factor is that 2003 was a year of robust growth in the secured market compared with other market segments (in particular the unsecured market) as banks tried harder to reduce risks in their balance sheets.

The surveys for the period 2000-04 showed that borrowing activities for the panel of banks continued to be higher than lending activities. This development was, however, more pronounced in the second quarter of 2004 when repos exceeded reverse repos by 49%, as against 37% in the second quarter of 2003.

Possible explanations for the robust growth



actual index. No EONIA swap position will result from the settlement of this deal. The new index will also be used as a reference rate for longer-dated interest rate swaps. A revival of the very active French TAM (*Taux Annuel Monétaire*) swap market is also under consideration. Also, the basis swap market is expected to see additional flow volumes resulting from a precise basis perception of the market participants.

with regard to money market products is that bid-offer spreads continue to be pressured, reflecting, it says, a further increase in liquidity in these market segments.

Another factor behind this could be the growth in electronic trading in this segment. "There was remarkable growth in the use of electronic trading systems in the secured market in the last two years," it states. "However,

in the secured money market, some of which have already been put forward in previous studies, are:

- The ongoing securitisation/disintermediation process, in particular the pattern of growth in the underlying securities markets in Europe;
- The need to limit credit risk exposures and constraints resulting from capital adequacy requirements;
- Bank treasurers' growing desire to maximise returns on their securities holdings (more specifically their return on assets);
- The increasing integration of this market segment in the euro area, as demonstrated in the qualitative part of this survey; and
- A wider and more accepted use of tri-party repos as a means of reducing settlement problems.

In 2004 the overall tri-party repo business grew strongly versus 2003, rising by 173% for reverse repo transactions and by 125% for repo transactions. The share of tri-party repos in total reverse repo activities rose from 2% in 2003 to 5% in 2004 and, in the case of repo activities, from 8% to 15%. It should be borne in mind, however, the ECB warns, that only one in five banks that reported data on the secured market reported turnover in tri-party repos.

The rise in tri-party repo activity over the last two years is confirmed by the June 2004 European Repo Council survey. According to this survey, 11% of total outstanding business was settled through tri-party repo arrangements, compared with 6% in June 2003. However, it should be added that one institution accounted for most of the growth in tri-party repo activity in 2004.

There was a strong concentration of tri-party repos at short-term maturities (between overnight and one week). In 2004, 71% of the deals were performed in this maturity band. The maturity analysis also shows a focus on maturities over three months, which is mainly due to the fact that tri-party agreements allow for a switching of collateral in transactions with longer maturities.

After rising by 150% in 2003, the OIS volume fell by 34% in 2004. The "up to one month" maturity band explained this development, with a 166% rise in volume in 2003 and a 40% fall in 2004. The share of this segment rose from 48% in 2002 to 52% in 2003, before falling back to 47% in 2004. The temporary move to shorter maturities in 2003 was also reflected in the evolution of the average maturity, which dropped to 75 days in 2003, compared with around 90 days in 2002 and 2004. This shift was probably linked to the speculation about an imminent change in ECB interest rates in 2003.

The more detailed 2004 data (which broke down the one month data into two segments) showed a shift in market share from the "one week to one month" segment (whose market share fell from 43% in 2003 to 28% in 2004) to the "up to one week" segment (whose share, despite the overall shift to longer maturities in

2004, rose from 15% to 18%). Given that banks also use the OIS market for hedging their liquidity position, this relative strength of the "up to one week" segment may be linked to the shortening of the maturity of the Eurosystem's main refinancing operations from two weeks to one week in March 2004.

The volume of transactions in the secondary market for short-term securities has continued to expand at a fast pace. Compared with the 2003 figures, average daily turnover for all types of short-term securities increased by 48% in 2004. Turnover in bank securities recorded a 71% rise over 2003, surpassing for the first time the daily turnover in T-bills (up 21% in 2004). Transactions in corporate paper also exhibited a high growth rate (64%). The increased turnover in bank securities cannot be attributed alone to a rise in the volume of issuance, as the growth of the issuance amount was moderate in 2004.

STRUCTURE

Overall, activity in the euro money market seems to have become less concentrated over the last few years, the report states, however,

The geographical counterparty breakdown of the turnover in the second quarter of 2004 shows the structure remained broadly unchanged across all segments except the short-term securities and cross-currency swap segments, when compared with the second quarter of 2003.

The bulk of business continued to be carried out with counterparties from the euro area, according to the survey. The most relevant change in the geographical counterparty structure was the loss of predominance of transactions with national counterparties in the short-term securities segment. Indeed, in the short-term securities and cross-currency swap segments, the share of transactions carried out with counterparties from the euro area surged to the highest levels across all market segments, indicating better integration despite various existing obstacles.

The fact that the proportion of business in the secured market carried out with national counterparties remained much larger than for other market segments reveals that the integration of national repo markets across the euro area continues to be a slow and complex process, the ECB states,

“ The fact that the proportion of business in the secured market carried out with national counterparties remained much larger than for other market segments reveals that the integration of national repo markets across the euro area continues to be a slow and complex process, the ECB states, despite the considerable progress registered in the last years.”

there are still large differences across market segments. Despite the slight increase in the degree of concentration of the unsecured segment in the second quarter of 2004, this segment remained by far the least concentrated, followed by the secured and OIS segments. The FX swap segment experienced a significant decrease in the degree of concentration, reaching a similar level to the OIS and secured segments. Indeed, the market share of the top 10 institutions in the FX swap segment decreased from 72% in the second quarter of 2003 to 64% in the second quarter of 2004. However, some segments of the euro money market continued to show a high degree of concentration, in particular the OTC derivatives markets.

In terms of turnover, the 10 most active institutions in the FRA, other IRS and cross-currency swap segments continued to hold a market share of above 70%. The concentration in the other IRS segment even increased, with the market share of the 10 largest institutions rising from 73% in the second quarter of 2003 to 79% in the second quarter of 2004. More than half of all trading activity in the other IRS segment in the second quarter of 2004 was concentrated among three institutions.

despite the considerable progress registered in the last years.

As for the trading structure, in general the survey showed that electronic trading transactions continued to grow in most of the market segments in the second quarter of 2004. However, their share of total activity remained rather small in some segments. Indeed, in segments other than the secured market, electronic trading still accounts for the smallest share of overall activity. It is worthwhile noting, the ECB says, that in the secured market the use of electronic trading systems showed a strong increase in the last two years, rising from 13% of total activity in the second quarter of 2002 to 42% in the second quarter of 2004.

Direct trading continued to be the most important way of carrying out business in the unsecured, other IRS, cross-currency swap and short-term securities segments. In the OIS and FRA segments, nearly half of the turnover is traded through voice brokers, which is also an important way of conducting transactions in the other IRS segment. A comparison with 2003 shows that voice brokers gained ground in 2004 in the secured, unsecured and OIS segments, mostly at the expense of direct trade.

Walking Stockholm

Although ACI Sweden has developed a busy programme of business and social activities for the Congress, delegates to the event will have free time on Saturday afternoon. This being the case, and with the idea that attendees may wish to stretch their legs and get some fresh air (and see the sights of a very scenic city), *ACI Briefing* (trusting to a nice, dry day) offers three walks that take in the sights of the city. Each of the walks lasts between 60 minutes and two hours and all start from the Grand Hotel.

WALK ONE: DISCOVERING THE OLD CITY (GAMLA STAN)

From the Grand Hotel, turn right and walk along the quayside to the bridge. Before crossing the bridge, take in the open space of Kungstradgatan where several restaurants make this a central gathering place during the summer. Crossing the bridge, bear left along the quay with the Royal Palace on the right until you reach the statue of Gustavus III, the Theatre King as he is known. Cross the road at the pedestrian lights in front of the Royal Palace and enter Gamla Stan, the Old City by walking up the slope to the left hand side of the palace.

This takes you past the Museum of the Royal Armour and the obelisk to Storkyrkan, where you turn left, pass the old Stock Exchange (which holds a museum dedicated to Alfred Nobel) to Stortorget. Turn left into Kopmantorget where the statue of St George and the Dragon is sited and at the bottom, turn right into Osterlanggatan which is a long cobbled street containing many restaurants, galleries and boutiques. After approximately 500 metres, you come to Jarntorget a pretty square.

Turn right by the music shop on the square into the main artery of Gamla Stan (although this too is a narrow cobbled street), into Vasterlanggatan, which also has plenty of restaurants, cafes and boutiques selling everything from exotic art to bric-a-brac. Vasterlanggatan leads to the Riksdag, the Swedish Parliament, but before reaching the parliament, turn left at Storkyrkobrinken and cross Riddartorget to see the High Court and next to it the Riddarhuset, the House of Nobility, where Swedish aristocratic families meet regularly under their coats of arms.

Crossing the bridge here takes you to Riddarholmen, the burial church of Swedish kings, and bearing left by the church takes you to the waterfront and wonderful views across the water to City Hall, site of the closing Gala Dinner of the ACI Congress. Continuing to walk along the waterfront (water on your right) brings you back round to the bridge, turn right and walk back to Vasterlanggatan and turn left. This takes you onto a small island that houses the old Riksbank building and now houses the Riksdag. Through the arch at the far end and turn right and you walk past the Opera House to Kungstradgatan again and the Grand Hotel should be 100 metres on your right.

This is merely a recommended walk that takes you through the heart of the old city, as you will discover when you enter Gamla Stan, there are literally hundreds of tiny streets and alleyways to

explore, many of which have wonderful out-of-the-way places to eat and shop.

WALK TWO: MUSEUMS

Turn left outside the Grand Hotel, the National Museum is a few yards on your left. After visiting the museum, continue across the long bridge onto Skeppsholmen, one of Stockholm's many islands. Crossing the bridge one has wonderful views across the water to the Royal Palace and the Old City. On the other side is Admiralty House and the Archipelago Trust buildings and past there sits, at the top of the hill, Skeppsholmen Church. Next to the church is the Museum of East Asia.

Continuing up the hill, you come to the Modern Museum and the sculptures Le Paradis Fantastique and on the waterfront, the big building holds the Academy of Art. Follow the quay and one comes to the Shipbuilding School and the building that traditionally guarded the sea entrance to the city.

Returning along the quayside and across the bridge, one returns to the National Museum, past which, turn right into the narrow street that leads down to Nybrokajen, which sits on the other side of the water to Strandvagen, the main waterfront thoroughfare. As you follow the water's edge, you pass, on your left, Djurgarden and the Royal Dramatic Theatre. Walking along Strandvagen is an optional extra, for after approximately 700 metres, a right turn takes you onto The Djurgarden archipelago, which houses the Vasa Museum, site of the ACI Congress gathering on Friday night. Also on Djurgarden are several art galleries and museums. For those feeling the strain after two and a half days hard work in the Congress, a ferry runs from the archipelago, back to the ferry terminal at Djurgarden, which is behind the Grand Hotel.

WALK THREE: CITY VIEWS, NORR AND SODER MALARSTRAND

This is the longest walk in terms of distance, and the one with access to the most fresh air as it is exclusively along the waterfront. From the Grand Hotel, turn right and walk along Stromgatan, past the Opera House on your right and the Riksdag (Swedish Parliament) and Gamla Stan the other side of the water on your left.

Cross under the railway lines to Klara Malarstrand on the waterfront of Riddarfjarden. Boats leave from here to Drottningholm Castle, the residence of the Royal Family. Continuing to walk along the waterfront, you come to City Hall, site of Saturday night's Gala Dinner and the site of the annual Nobel dinner. Another one kilometre takes you past restaurants (and a beach) to the Vasterbron bridge. Crossing the bridge, which offers perhaps the best overall view of Stockholm, you come to the small island of Langholmen which has a beach and a couple of restaurants.

After investigating the island, continue across the short bridge and turn left onto Soder Malarstrand which houses floating houses of all shapes and sizes. Here you have a choice. The

very fit turn right and climb the heights to Mariaberget (there is a lift), the more relaxed continue along the quayside to Gamla Stan and return to the Grand Hotel via Skeppsbron. Mariaberget is an old part of the city, though not as ancient as Gamla Stan, and was populated typically by the lower class. It has a very authentic feel and one can imagine what it was like to live there 100 years ago.

From Hornsgatan, follow the road back down the hill to the junction with Gamla Stan, cross the bridge and bear right onto Skeppsbron, and follow the quayside walk back past the Royal Palace to the Grand Hotel.

ACI RUSSIA PRESENTS AWARDS



SERGUEY ROMANCHUK

More than 500 Russian market professionals recently attended a ceremony held by ACI Russia and the Moscow International Currency Association at the Artplay centre in Moscow to present the awards for the best Russian FX and money market dealers and desks of the year.

The Best Forex Dealer of 2004 Award went to Serguey Romanchuk from Metallinvestbank. Second place went to Vasily Fedorov from NOMOS-Bank and third to Petr Neymishev from MDM-Bank.

Best Forex Desk of 2004 was awarded to Gazprombank, followed by Metallinvestbank and NOMOS-Bank.

Best Money Market Dealer of 2004 was won by David Kikvidze from MDM-Bank. Second place in this category went to again to NOMOS-Bank's Fedorov, third place was awarded to Eugene Alparov of Metallinvestbank.

The Best Money Market Desk for 2004 award was won by NOMOS-Bank, followed by MDM-Bank and Bank UralSib.

A fifth award for female dealer of the year was presented to Ms Elena Buravleva from Absolut Bank.

ACI Russia President Igor Souzdaltsev says that the growing influx of foreign banks into the Russian financial markets means that the organisers are considering an option to widen next year's awards to include dealers at foreign banks in the country.



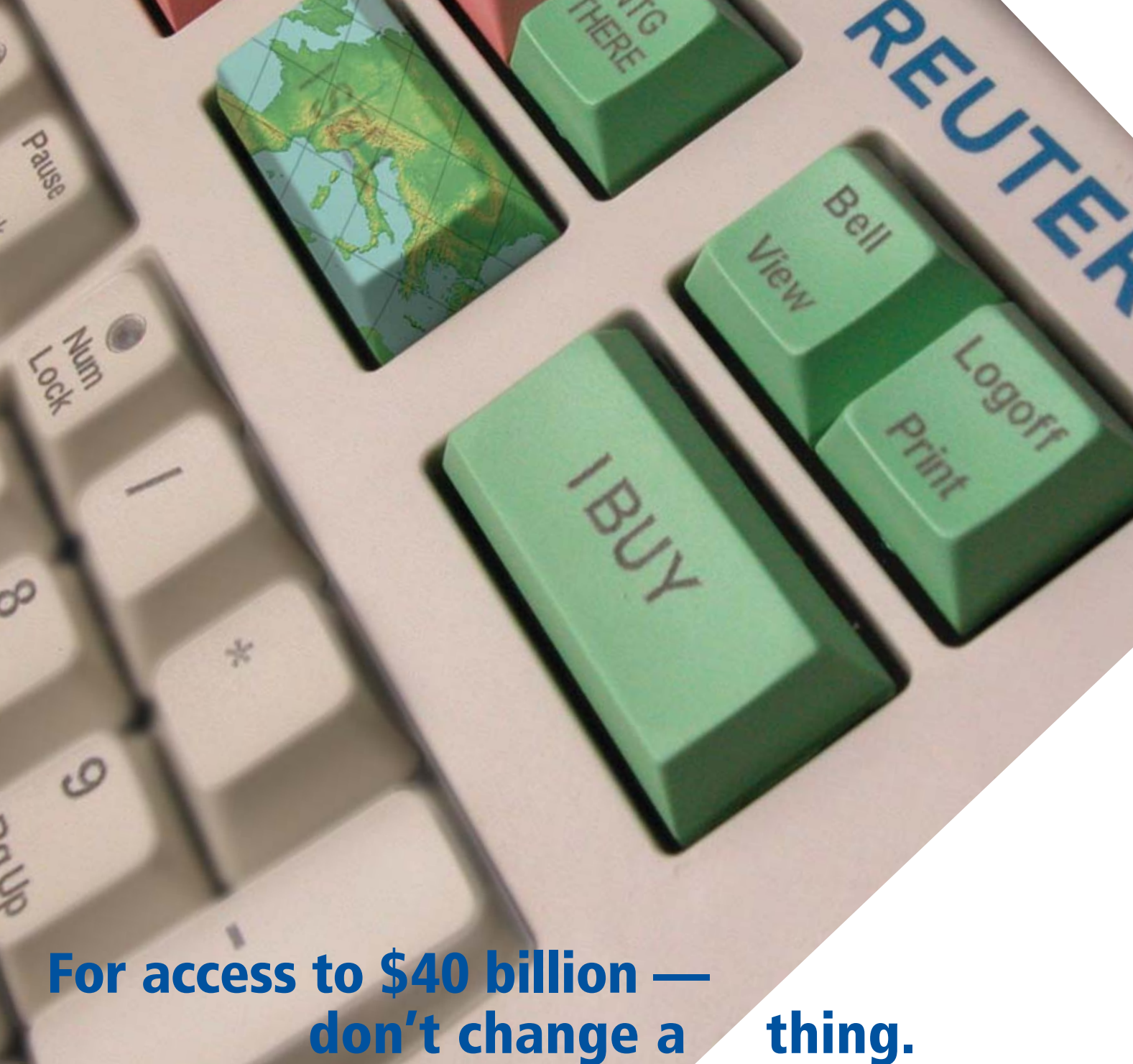
THE GAZPROMBANK TEAM

CALENDAR 2005

MAY	
12	Portugal General Assembly Lisbon
JUNE	
4	Mexico General Assembly Mexico
10-11	Slavenia General Assembly Maribor
18-19	Switzerland General Assembly Luzern
30	Eurepo/Eonia Swap Index Conference Frankfurt
TBA	Poland General Assembly Warsaw
SEPTEMBER	
8	Netherlands General Assembly Amsterdam
15	Denmark General Assembly Copenhagen
15-18	Serbia & Montenegro General Assembly Serbia & Montenegro
30	Belgium General Assembly Brussels
TBA	Georgie General Assembly Tbilisi
TBA	Iceland General Assembly Reykjavik
OCTOBER	
7-9	Austria General Assembly Vienna
NOVEMBER	
17-20	ICA Congress Kuwait
26	50th Anniversary Party Netherlands Amsterdam
DECEMBER	
8	Hong Kong General Assembly Hong Kong

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