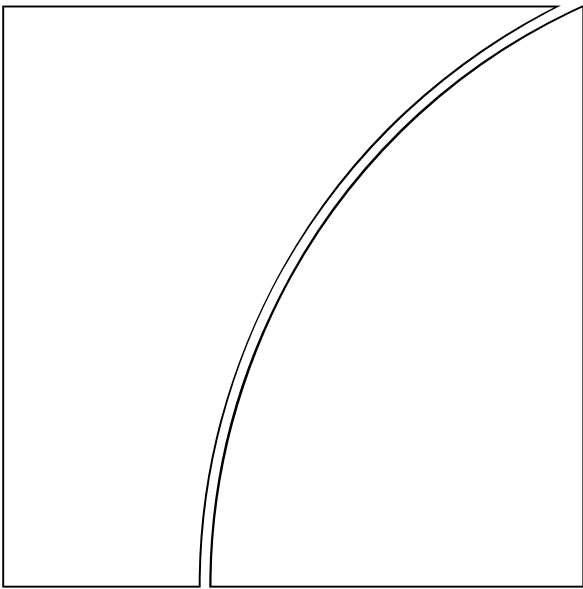


Committee on the Global Financial System



The implications of electronic trading in financial markets

Report by a working group established by the
Committee on the Global Financial System of the
central banks of the Group of Ten countries

January 2001



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Preface

The Committee on the Global Financial System (CGFS), known until 1999 as the Euro-Currency Standing Committee, serves as a discussion forum for the central bank community on financial stability questions. The CGFS has frequently been asked to examine the potential implications of innovations in global financial market practices.

Recent projects by CGFS working groups have concerned the functioning of international interbank markets, financial derivatives and the systemic consequences of standard risk management practices.

Last year, the CGFS decided to organise a working group to take a preliminary look at the possible implications of the use of electronic trading platforms for the functioning of global financial markets. The migration of financial trading to electronic platforms merits monitoring because of possible system-wide consequences. The Working Group was chaired by Jos Heuvelman of De Nederlandsche Bank. The Committee was most grateful to Mr Heuvelman and his colleagues for their careful work. The publication of this report is intended to contribute to the general understanding of developments in global financial markets.

The CGFS continues to be interested in this topic, and expects to continue monitoring the significance of changes in information processing and communications technologies for the functioning and stability of financial markets.

Yutaka Yamaguchi

Chairman, Committee on the Global Financial System

Deputy Governor, Bank of Japan

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