

CHARTER for the PAYMENTS RISK COMMITTEE

December 2011

The Payments Risk Committee (the “Committee”) is a private-sector organization sponsored by the Federal Reserve Bank of New York. The Committee’s membership, drawn from financial firms, meets at regular intervals to identify and analyze risk issues in payments, clearing, and settlement of financial transactions.

Objectives

The primary goal of the Payments Risk Committee is to foster enhancements to the safety and resiliency of financial market infrastructure, including steps to strengthen the clearing and settlement of financial transactions, and to inform the Federal Reserve Bank of New York about developments, conditions, and practices in payments, clearing, and settlement systems.

In this connection the Committee is also expected to

1. Promote better understanding of payment, clearing, and settlement risk issues and systems, both in the United States and internationally, among committee members, market participants and, as needed, with the public more generally,
2. Serve as a forum for discussions among U.S. private-sector institutions active in payments, clearing, and settlement systems and the Federal Reserve,
3. Conduct research and analyze findings on potential risks and opportunities to strengthen the resilience and security of payments, clearing, and settlement activities, and
4. Support best practices and identify frameworks for implementing improvements as needed.

Membership

Membership on the Committee will consist of representatives of eight to twelve financial firms. Member institutions will serve renewable two-year terms. In addition, representatives of the Federal Reserve Bank of New York will serve as *ex officio* members. Additional institutions, including financial market infrastructures, may be invited to participate on the Committee to contribute to specific initiatives or as adjunct members.

The Federal Reserve Bank of New York will designate member institutions, using the following criteria:

Member institutions

1. Member institutions must be active in one or more of the systems for large-value payment, clearing, and settlement in the United States and in other countries. Selection of institutions may change, to reflect changes in the marketplace, and
2. Member institutions will be sufficiently diverse to include a range of views in Committee discussions, but the number of institutions must not impede the Committee's ability to reach consensus and provide meaningful input on issues before the Committee.

Individual representatives

3. Individual representatives will be nominated by their chief executive officer to represent their institutions in consultation with the Federal Reserve Bank of New York;
4. Representatives should have a broad knowledge and appreciation of the systemic importance of payments, clearing, and settlement systems and activities, and be able to recognize strategic opportunities to improve their safety and efficiency; and
5. Representatives should be business leaders with sufficient authority to engage the CEO, to marshal resources to support Committee activities, and to muster the institution's endorsement of proposed actions or recommendations.

Representative's responsibilities

The success of the Committee is dependent upon the efforts of its individual representatives. Each representative, supported by his or her institution, shall

1. Bring appropriate issues to the Committee's attention and contribute to the Committee's discussion and research;
2. Communicate major issues and points of consensus identified during Committee discussions to executive management and to colleagues involved with payments, clearing, and settlement at the member institution;
3. Participate actively in Committee work and provide the resources to support the Committee's projects and general needs; and
4. Attend no fewer than two Committee meetings in person each year.

One of the representatives to the Committee will be selected to serve a two-year, renewable term as Chairman. The Chairman will conduct the meetings of the

Committee, guide its agenda, and oversee its projects to ensure that they are completed appropriately and in a timely manner. The Federal Reserve Bank of New York will provide the secretariat for the Committee.

Meetings

The Committee will meet at least three times each year to examine recent developments in the clearing and settlement of financial transactions, discuss progress on existing projects and propose new assignments. Discussions at all meetings will be informal. Depending on the agenda, the Committee or its subcommittees and working groups may invite representatives of other institutions to participate in its discussions.

The Committee is expected to achieve consensus when deciding whether to publish or otherwise distribute beyond the Committee any analysis, issues paper, or other results of the Committee's activities.

Subcommittees and Working Groups

The Committee may establish standing subcommittees or working groups. The Committee may also designate *ad hoc* working groups to focus on specific issues. The Chairman of the Committee, in consultation with the Federal Reserve Bank of New York, will appoint a Chairman for any standing subcommittee or working group. Subcommittees and working groups will report regularly to the full Committee on their activities.

The Committee may work with or refer topics to other relevant bodies in support of its objectives.

Confidentiality and Disclaimer

Any information disclosed, opinions expressed, or statements made during Committee meetings shall be treated as strictly confidential by members, unless the Committee has authorized release.

Opinions expressed or statements made by Federal Reserve Bank of New York staff in the course of the Committee's activities are solely those of the participant and do not necessarily reflect the views of the Federal Reserve Bank of New York or the Federal Reserve System. Federal Reserve Bank of New York staff members are prohibited from discussing material non-public or confidential supervisory information with members of the Committee.