

Meeting Minutes

Federal Reserve Bank of New York
33 Liberty Street
7th Floor, Main Conference Room

Thursday, December 11, 2014
4:30 pm – 6:00 pm (New York time)

Present: Victoria Cumings, Sarah Donnelly, Maria Douvas (by phone), Luke Farber, Pamela Hutson, Robert Klein (by phone), Jeff Lillien, Jill Hurwitz, Ricardo Salaman, Lisa Shemie, Garland Sims (by phone), Lawrence Young (by phone)

Federal Reserve Bank of New York participants: Christina Getz, Joyce Hansen, Nancy Liao, Michael Nelson, Won Chai

Update on Quarterly Discussion Forum with the FMLC

The group discussed highlights from the quarterly discussion forum with the Financial Markets Law Committee (“FMLC”), including a discussion of issues relating to clearing of non-deliverable forwards and regulatory differences between the U.S. and EU. FMLG members proposed scheduling a call with the FMLC in the next quarter, reviewed participation and organization logistics for such a meeting, and suggested topics for discussion. FMLG members also discussed the desirability of preparing minutes for meetings of the FMLC.

Update on FXC Best Practices Initiative

Christina Getz, the Secretary of the Foreign Exchange Committee (“FXC”) provided an update on FXC’s efforts to update the *Recommendations for Non-Dealer Participants*. She noted that further updates in connection with the FMLG’s comments would be discussed next week. Ms. Getz also provided a broader update on the FXC’s best practices review, including an overview of leadership for working groups, the organization of such groups, and upcoming timelines.

Ms. Getz also provided an update on efforts to modify the global preamble and discussed opportunities for FMLG members to review proposed revisions. FMLG members discussed aspects of the review and amendment process, including input from other regulators and the mechanics of certain proposed changes. Ms. Getz noted that comments are due back to the FXC by December 15th.

OTC Derivatives Reform

FMLG Secretary Nancy Liao discussed prioritization of FMLG resources in connection with issues related to OTC derivatives reform, including data collection efforts in response to questions raised by the Commodity Futures Trading Commission’s (“CFTC”) Division of Market Oversight (“DMO”) on trade non-acceptances or affirmative rejections by prime brokers. FMLG members also discussed the desirability of focusing on specific aspects of derivatives reform and coordination with industry associations such as the National Futures

Association, International Swaps and Derivatives Association (“ISDA”), and the Global Financial Markets Association (“GFMA”). FMLG members also discussed recent developments in reforms related to non-deliverable forwards, including interaction with the Global Markets Advisory Committee (“GMAC”) of the CFTC.

Trade Associations – Discussion of Current Initiatives

Certain portions of this discussion were tabled until a future meeting of the FMLG. Members discussed recent developments in connection with the viability of fallback survey rates. FMLG members also discussed associated economic effects, market functioning implications, and the possibility of having a member of the Emerging Markets Trade Association (“EMTA”) join a future meeting of the FMLG to discuss further developments. FMLG members agreed to defer discussion of issues related to ISDA and the GFMA.

ISDA Resolution Stay Protocol

FMLG Chair Joyce Hansen provided an update on recent issues in connection with the ISDA resolution stay protocol. Ms. Hansen noted that the protocol would become effective for the G-18 firms in January 2015. She also noted that home authorities have committed to adopt regulations to require systemically important firms to trade on the ISDA protocol and discussed issues related to the expanded application of the ISDA protocol. FMLG members discussed the layout and mechanics of the ISDA protocol, the underlying strategy and rationale for use of the protocol, and the possibility of FMLG participation in upcoming issues.

Legal Opinion Update Project

Gary Sims, Chair of the Opinions Subcommittee of the FMLG, provided an update on the project to collect updated opinions with respect to the enforceability of the netting provisions of the International Currency Options Market Master Agreement (“ICOM”), the International Foreign Exchange Master Agreement (“IFEMA”), the Foreign Exchange and Options Master Agreement (“FEOMA”), and the International Foreign Exchange and Currency Option Master Agreement (“IFXCO”) from 34 jurisdictions around the world. Mr. Sims noted that the project was on schedule and that 14 opinions had been completed. FMLG members discussed developments in Europe and issues related to the mechanics of the opinions and their content.

The Year Ahead – General Discussion

FMLG members discussed upcoming priorities and projects for the next year. One member suggested an overview of Federal Reserve agreements and their reconciliation with requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act, particularly as related to netting/novation issues. FMLG members also discussed further engagement with the EMTA in connection with issues related to non-deliverable forward viability and sustainability, FXC best practices, and initiatives by the Basel Committee on Banking Supervision. Another member also raised the possibility of inviting certain clearing houses to attend future meetings to facilitate coordination with the FMLG.

Administrative Matters

Certain portions of this discussion were deferred in light of the absence of FMLG Treasurer Martha Burke.

Members were presented with minutes from the group’s November 6, 2014 meeting and approved them without dissent.

FMLG Secretary Nancy Liao discussed issues related to Form 1099 and noted that members would receive guidance by separate communication.

The next meeting of the FMLG will be held on January 8, 2015, at 8:30 a.m.