

Financial Markets Lawyers Group Meeting
Federal Reserve Bank of New York
33 Liberty Street
7th Floor, Main Conference Room

Thursday, March 6, 2014
8:30 am – 10:00 am (New York time)

Present: Andrew Alter, James Brown (by phone), Martha Burke, Victoria Cumings (by phone), Sarah Donnelly (by phone), Maria Douvas, Pamela Hutson (by phone), Jill Hurwitz (by phone), Robert Klein, Ruth Laslo (by phone), Jeff Lillien, Ricardo Salaman, Lisa A. Shemie, Garland Sims, Bryan Woodard, Lawrence Young

Federal Reserve Bank of New York participants: Christina Getz, Joyce Hansen, Michael Nelson, David Parkinson, Shawei Wang

SEFs and the FX Market

The group discussed processes surrounding FX prime brokerage arrangements and swap execution facilities (SEFs). In particular, the group discussed possible changes to SEF rulebooks related to execution and reporting by SEFs, executing dealers (“EDs”), prime brokers (“PBs”) and their counterparties in connection with prime brokered FX transactions on SEFs. The group also briefly revisited the role of FX intermediaries in covered PB arrangements.

Dodd-Frank Operational/Implementation Issues

The group noted that there were no substantive updates on the trade reporting front.

Portfolio Compression for FX Products

Members were briefed on the CFTC’s final rules on portfolio compression which do not mandate portfolio compression exercises for swaps between a swap dealer or a major swap participant and other types of counterparties. The group briefly discussed the possible application of portfolio compression to FX as an asset class under U.S. and foreign law. The group decided to raise the topic at a future meeting of the Operations Managers Working Group.

Settlement Finality Legal Opinion Project

The group discussed the Basel Committee’s *Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions* which states in section 3.6.5 that a bank should obtain legal advice that addresses settlement finality with regard to its settlement payments and deliveries. A working group was established to explore industry-level options for satisfying the section 3.6.5 requirement.

Post-Trade MCAs

There was a brief update on the post-trade master confirmation agreement (MCA) topic raised at the group's February meeting. Work has been done on a draft cross-currency matrix of SWIFT codes representing proposed data sources that are widely used in the market. Members decided that it would be helpful to have some smaller working group calls to better understand the draft matrix before further discussing it as full group.

Quadrilateral

The group briefly discussed the July 2014 Quadrilateral Meeting of the European Financial Markets Lawyers Group, the Financial Markets Law Committee ("FMLC"), the Financial Law Board and the FMLG. A draft agenda was shared with members including some substantive topics and likely speakers.

Administrative Matters

New corporate governance documents were presented to the group and members agreed to hold a phone meeting to discuss and vote on the documents. The group also discussed expectations for outside counsel and the need for a new assessment to cover related expenses.

The next meeting of the FMLG will be held on Thursday, April 3, 2014.