

Meeting Minutes

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

Thursday, October 2, 2014
8:30 am – 10:00 am (New York time)

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

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

SEFs and the FX Market

The group revisited 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. In order to help respond to DMO, Nancy Liao (FMLG Secretary) and Christina Getz (Secretary for the Foreign Exchange Committee and the Operations Managers Working Group (“OMWG”)) informed the group that they intended to reach out to the OMWG on Wednesday, October 8, 2014 to obtain responsive data. The group had no objection to this proposal.

The group discussed DMO’s No-Action Letter No. 14-108, which provides time-limited conditional relief to swap execution facilities (“SEFs”) from certain confirmation and recordkeeping requirements. Members noted that the International Swaps and Derivatives Association (“ISDA”) and the Global Financial Markets Association (“GFMA”) are continuing their efforts to address some of the challenges surrounding SEF confirmations and recordkeeping. There was also discussion about increasing industry participation, particularly among members of the buy-side community.

Dodd-Frank Operational/Implementation Issues

The group discussed the upcoming meeting of the CFTC’s Global Markets Advisory Committee (“GMAC”), which will include a panel on issues related to clearing non-deliverable forwards (“NDFs”). Members considered the pros and cons of a central counterparty (“CCP”) incorporating the Emerging Markets Traders Association (“EMTA”) fallbacks in its rulebook. Members agreed that it would be preferable to resolve any questions regarding CCP incorporation of the EMTA fallbacks before the CFTC releases a NDF mandatory clearing

determination. Members stated that they were interested in seeing whether any GMAC participant would raise the issue, and whether the CFTC or other GMAC participants would have any reactions to the issue, if it were raised.

Quarterly Discussion Forum with the Financial Markets Law Committee (“FMLC”)

Following up on the September 11, 2014 discussion, the group selected a proposed date and time for an initial call with the FMLC. Members discussed and decided upon potential agenda topics for the call, including the clearing of NDFs, margin requirements for uncleared swaps, and mutual recognition and substituted compliance. Nancy Liao (FMLG Secretary) agreed to liaise with FMLC representatives to finalize call time and agenda.

Update on September 19th Foreign Exchange Committee (“FXC”) Meeting

Christina Getz (FXC Secretary) updated the group on the FXC’s most recent meeting (on September 19, 2014), which included a discussion of the FXC’s ongoing review of its Best Practice documents. FMLG members were again encouraged to volunteer to assist in the review process.

Trade Associations

The group discussed ISDA’s FX Novation and Cancellation Protocol and a request to update that Protocol. The group also discussed ISDA’s FX Confirmations Working Group and its Deliverable Currency Disruption Events Questionnaire. Members offered to call relevant ISDA representatives to further communicate their questions. Members also noted the establishment of a new industry group, the Foreign Exchange Professionals Association.

Fund Managers Acting As Agents

After a brief discussion, members concluded that “Fund Managers Acting as Agents and Market Transactions,” prepared by Federal Reserve Bank of New York staff for the FMLG in January 1996, does not need to be updated.

Financial Products Mark-Up Language (“FpML”) Templating Project

The group briefly discussed FpML, ISDA’s language for communicating financial products data, and whether there would be any legal dimensions to the Templating Project.

ICOM, IFEMA, FEOMA and IFXCO Legal Opinion Update Project

Gary Sims, Chair of the Opinions Subcommittee of the FMLG, noted that the annual 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 will begin on October 31. Once opinions begin to come in, members will be asked to help with the review process.

Administrative Matters

Members approved the minutes from the group's September 11, 2014 meeting. Members were informed that the updated Articles of Association, approved by email and teleconference vote last month, have been posted to the group's website. Finally, FMLG Treasurer Martha Burke offered a brief update on the group's financials.

The next meeting of the FMLG will be held on Thursday, November 6, 2014.