

PAYMENTS RISK COMMITTEE CHARTER

Adopted: October 1993
Last Revised: November 2018

The Payments Risk Committee (“PRC” or the “Committee”) is a private-sector body sponsored by the Federal Reserve Bank of New York (the “New York Fed” or the “Bank”). The Committee has worked to identify, analyze and address risks in payments, clearing and settlement of financial transactions since its founding in 1993. The Committee’s membership, drawn from financial firms, meets at regular intervals to achieve its objectives.

I. Objectives

The primary goal of the Committee is to foster enhancements to the safety and efficiency of financial market infrastructure, which includes identifying opportunities to strengthen the clearing and settlement of financial transactions, and to inform the Federal Reserve about developments, conditions and practices in payments, clearing and settlement (“PCS”) activities.

To achieve these objectives, the Committee is expected to:

1. Enhance the knowledge and understanding of PCS risks and systems, both in the United States and internationally, among Committee members, market participants and, as needed, with the public generally;
2. Serve as a forum for discussions among U.S. private-sector institutions engaged in PCS activities and the Federal Reserve;
3. Conduct research and analyze findings on potential risks to, and explore opportunities to strengthen the resilience and security of, PCS activities; and
4. Develop recommendations, report on issues, and document best practices with the goal of improving the safety and efficiency of PCS activities.

II. Governance

The PRC will have a Sponsor, Chair and a Secretariat. Senior officers from the New York Fed will serve as Sponsor and *ex officio* members, and Bank staff will provide Secretariat support. A member of the New York Fed’s Legal Group will attend all Committee meetings and conference calls to ensure adherence to the Bank’s Antitrust Guidelines.

The Sponsor will designate the Chair from among the committee’s membership for a term of two years, mutually renewable at the completion of each term. The Chair, in coordination with the Sponsor and Secretariat, will be responsible for conducting meetings, helping to guide the Committee’s agenda, representing and communicating the views of the PRC as a whole, and overseeing projects to ensure that they are completed appropriately and in a timely manner.

The Secretariat will be responsible for administering the terms of the charter and maintaining the official repository of PRC documents, including agendas, minutes and public communications. The Secretariat will also enact procedures for termination, resignation and replacement of members, as well as coordinate the member nomination and selection process, in coordination with, or on behalf of, the Sponsor.

Member Institutions

Membership on the Committee will consist of senior representatives from financial firms (“member institutions”). Additional institutions may be invited to participate on the Committee to contribute to specific initiatives. The New York Fed is responsible for designating member institutions.

Member institutions must be active in one or more of the systems for large-value PCS activity in the United States and in other countries. Selection of member institutions may change to reflect changes in the marketplace. Member institutions will be sufficiently diverse to include a range of views among firms active in large-value PCS activity. However, the number of institutions shall not exceed twenty, so as not to impede the Committee’s ability to reach consensus and provide meaningful input on issues before the Committee.

Individual Members

Institutions are expected to consider and nominate a *diverse slate* of candidates (i.e. candidates who are not homogeneous in terms of gender, ethnicity, race or background) for membership to the PRC. The term *diverse* refers to the breadth and variety of personal attributes, experiences, backgrounds and values that candidates bring to the Committee. All prospective committee members are subject to a due diligence review by the Federal Reserve Bank of New York prior to confirmation.

1. In consultation with the Sponsor and Secretariat, individual members will be formally nominated by the chief executive officer (“CEO”), or a designee of the CEO, of each member institution to represent their respective institutions for a two year term (mutually renewable by the New York Fed and respective individual);
2. Individual members should have a broad knowledge and appreciation of the systemic importance of PCS systems and activities, and be able to recognize strategic opportunities to improve their safety and efficiency;
3. Individual members should be senior business leaders with sufficient authority to engage the CEO of their respective institution, to marshal resources to support Committee

activities, and to mobilize the member institution's endorsement of proposed actions, guidelines or other recommendations; and

4. Individual members are expected to work to support the overall safety and efficiency of PCS systems and activities, and not their own individual or member institutions' interests.

Committee Member Responsibilities

The success of the Committee is dependent upon the efforts of its individual members and the institutions they represent. Individual members, supported by their institutions, are expected to:

1. Bring appropriate issues to the Committee's attention and contribute to the Committee's discussion and research;
2. Communicate major issues identified during Committee discussions to executive management and to colleagues involved with PCS activities at the member institution and build support for the Committee's actions, practices and recommendations;
3. Participate actively in Committee work and provide resources to support the Committee's projects and general needs;
4. Attend all scheduled Committee meetings each calendar year. Alternates cannot be sent to meetings.
5. Follow the *Antitrust Guidelines for Members of the Federal Reserve Bank of New York's Advisory and Sponsored Groups* and conduct themselves according to the spirit and the letter of state and federal antitrust laws; and
6. Reaffirm adherence to this Charter and to the New York Fed's *Antitrust Guidelines* at least annually.

To remain in good standing, members are expected to attend a minimum of 80% of scheduled meetings and abide by the general expectations outlined in the Charter. Where a member is not currently in good standing, the Secretariat, in coordination with Sponsor and/or Chair, will notify the member to address the issue prior to enacting any formal replacement procedures. Where a member is unwilling or unable to continue active participation or meet expectations as defined by the charter and intends to resign, the member should initiate the process to secure a replacement by notifying the Secretariat and the Sponsor.

Meetings

The Committee will meet, on average, five times per year in person, with additional meetings scheduled as agreed by the Committee, to examine recent developments in PCS activities, discuss progress on existing projects and propose new initiatives. Meetings of the Committee will be held either at the New York Fed or elsewhere, as agreed to by the Committee.

Meeting agendas will be prepared for each meeting by the Secretariat and circulated to members prior to the meeting. Agendas will be published on the PRC website on or around the day of each meeting.

Discussions at all meetings will be informal and may include participants invited by the Committee, as necessary.

The Secretariat will keep minutes of each meeting to include, at a minimum, a list of attendees and a brief description of the topics discussed. Draft meeting minutes will be distributed for review and comment to Committee members, and subsequently finalized and published on the PRC website in a timely fashion, generally no later than 30 days after each meeting.

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

Working Groups

The Committee may establish standing or *ad hoc* working groups for the purpose of executing projects commissioned by the Committee in furtherance of its objectives. In consultation with the Secretariat, each Committee member should formally nominate a working group member for their respective institution.

Any working group must have a Committee member sponsor, representation by the Secretariat, and a working group lead. The responsibilities of the working group lead will include conducting working group meetings and overseeing Committee-commissioned projects to ensure that they are completed appropriately, timely and in accordance with the Committee's expectations.

Working group members are expected to keep their respective Committee members apprised of work underway to facilitate effective discussion at Committee meetings.

III. Federal Reserve Conduct Rules and Disclaimer

The New York Fed's *Code of Conduct* and *Policy 1.2* ("Communicating with the Public") and the Federal Open Market Committee's *Policy on External Communications of Federal Reserve System Staff* apply to Bank staff participating in the Committee. Staff members are prohibited from discussing material non-public or confidential supervisory information with members of the Committee.

Opinions expressed or statements made by Bank staff in the course of the Committee's activities are solely those of the speaker and do not necessarily reflect the views of the New York Fed or the Federal Reserve System. PRC recommendations and publications represent the collective views of its private-sector members, not necessarily the New York Fed or the Federal Reserve System.