



Minutes of the Operations Managers Working Group (“OMWG”) Meeting, May 23, 2019

Host: Federal Reserve Bank of New York (“FRBNY”)

OMWG Attendees:

James Wallin	Alliance Bernstein
James Paviolitis	Barclays
Kenneth Rozycki	Brown Brothers Harriman
Alfred Pollock	Citigroup
Daniel Lennon (Chair)	CLS
Aaron Ayusa	Credit Suisse
Juna Nashi	Goldman Sachs & Co.
Nicholas Picini	HSBC
Matthew Smith	JP Morgan Chase
Ryan Masters	SWIFT
Michael Reese	UBS

Federal Reserve Bank of New York (Ex Officio)

Thomas Noone
Kathy Ramirez
Geza Sardi (Secretary)

FMLG Update

Thomas Noone provided the OMWG with the Financial Markets Lawyers Group (“FMLG”) update. Mr. Noone highlighted four topics for discussion at the annual Quadrilateral meeting:

- (1) U.S. Regulatory Update, specifically the U.S. Commodity Futures Trading Commission’s uncleared swap margin rule and the status of equivalency determinations;
- (2) Overview of the Australian Treasury’s proposal to enforce certain industry codes, and the various uses of the FX Global Code in supervision and litigation;
- (3) FX Prosecutions and Enforcement Actions (*United States v. Johnson* and *United States v. Bogucki*); and

- (4) Discussion of Settlement Finality Directive related issues that Brexit raised for third country systems and the solutions that were put in place to address those issues.

The FMLG also had discussions on JPM Coin; lessons learned from the recent volatility in the Turkish Lira; International Swaps and Derivatives Association's amendment to its credit derivatives definition to address "narrowly tailored events," sometimes referred to "manufactured defaults;" and, lastly, discussions on long-standing concern over conflict in US regulations that encourage foreign operations of US financial institutions to be organized as branches or subsidiaries. Upcoming FMLG topics are the LIBOR transition, Phase IV of the margin rule implementation, and updates to the FX Global Code.

FXC Update

Russel LaScala, a member of the Foreign Exchange Committee ("FXC"), joined the meeting via teleconference. Mr. LaScala highlighted that a large part of the FXC's body of work is related to the push for greater adoption of the FX Global Code, as well as the reevaluation of the code as the periodic review for the Code approaches. Mr. LaScala also mentioned that the FXC is looking into creating products that educate participants on Flash Events. Lastly, the FXC has had discussions on the low-volume, high cost-income ratio environment for FX where by smaller banks are partnering with larger banks to consolidate resources such as back office operations and compliance to name a few.

SWIFT Update

Ryan Masters from SWIFT introduced SWIFT's Global Payments Innovation ("GPI") initiative, which is designed to bring real-time transparency and visibility to payments across the international correspondent banking network. Mr. Masters highlighted functionalities within the GPI initiative that would improve anti-money laundering efforts. The GPI initiative will also introduce predictive analytics to allow SWIFT customers to determine the amount of time it would take to complete a particular payment as well as determine what payment route would be more efficient. In addition, Mr. Masters also discussed the implementation of ISO20022, which seeks to enrich messaging, and the Customer Security Program, which introduces mandatory customer security controls.

CLS Update

Daniel Lennon provided the OMWG with the CLS update. Mr. Lennon cited that between January 1st and April 30th of this year there have been 25 Member incidents where members failed to satisfy their pay in obligation on time as per their pay in schedule. This figure is slightly down from 26 incidents during the same time frame in 2018. Mr. Lennon added that the root causes for the majority of the incidents were related to Member weekend technology changes, delays in invoking contingency procedures, familiarity with said procedures and issues encountered with their Nostro banks.



Novation Update

Mr. Lennon provided the group with an update regarding novations. A subset of the OMWG met and discussed issues regarding novations. It was agreed that a market platform solution may resolve some issues surrounding the timely processing of novations. The group also discussed raising awareness of best practices in this area. The hope is to encourage greater buy-side adoption of the Novation Protocol and the timely processing of novations. Mr. Lennon will raise this with the FXC in the hope that it is included in efforts to encourage greater wider adoption of the FX Global Code.

Clearing Update

Juna Nashi and Daniel Lennon provided an update to the OMWG regarding a discussion they had regarding clearing. The OMWG will invite clearers, such as Chicago Mercantile Exchange, the London Clearing House, and Eurex, to join a future OMWG meeting for a discussion around clearing. The discussion will focus on common platforms, the future trends expected in clearing specifically the future changes in margin requirements.

Update on Treasury Market Practices Group (“TMPG”) work

Kathy Ramirez invited everyone to review and provide comments to the TMPG’s consultative paper entitled “White Paper on Clearing and Settlement in the Secondary Market for U.S. Treasury Securities.

Administrative Matters

Ms. Ramirez requested that members provide updated contact information.

The next OMWG meeting will be on September 12, 2019.