

Financial Markets Lawyers Group Meeting

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

Thursday, April 3, 2014
8:30 am – 10:00 am (New York time)

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

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

SEFs and the FX Market

The group continued its ongoing discussion of FX prime brokerage arrangements on swap execution facilities (SEFs). In particular, the group discussed its work with outside counsel to obtain clarification on acceptable practices for the execution on SEFs of prime brokered transactions.

Dodd-Frank Operational/Implementation Issues

The group discussed the Commodity Future Trading Commission's (CFTC) request for comment on its swap data recordkeeping and reporting requirements. Specifically, it was noted that question 19 of the request deals with prime brokerage transactions. Some members agreed to reach out to other industry groups to coordinate a response to question 19.

Portfolio Compression for FX Products

The group discussed the CFTC's portfolio compression rule which requires swaps dealers (SDs) and major swap participants (MSPs) to establish policies and procedures for the regular evaluation of compression opportunities with other SDs and MSPs, when appropriate, and for engaging in compression with non-SDs and non-MSPs upon request. The group decided to reach out to the FX Market Architecture Group (MAG) of the Global Financial Markets Association (GFMA) to learn more about their analysis of the issue.

Early Termination Procedures

Ruth Laslo reported on differences between early termination practices in the U.S. and in Europe. While many members were unfamiliar with the practices, the group responses appeared to be that the practice in the U.S. of calculating early termination values based on net present value was the most conservative.

Settlement Finality Legal Opinion Project

The group revisited its earlier discussion on the Basel Committee's *Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions*. Members of the working group established to explore the issue briefed the larger group on their progress. Working group members noted that existing legal opinions may address some of the requirements in the settlement risk guidance but there are likely still gaps that need to be filled. The working group agreed to reconvene to study the topic further.

Quadrilateral

Due to time constraints the topic was tabled until the next meeting.

Administrative Matters

Invoices were recently sent to member firms to cover Dodd-Frank related outside counsel fees and other expenses. Members were asked to check internally to ensure that the invoices are paid in a timely manner. The group recently solicited proposals from two accounting firms. Members received copies of the proposals to be discussed on a future conference call.

The next meeting of the FMLG will be held on Thursday, May 1, 2014.