

Minutes of the regular meeting of the Payments Risk Committee

2:00 p.m. - 5:00 p.m., Thursday, December 13, 2012

Federal Reserve Bank of New York

33 Liberty St., New York, NY

Present:

Paul Galant, Chair, Citi
Bill Pappas, Bank of America
Kurt Woetzel, Bank of New York Mellon
Michael Gotimer, Bank of Tokyo-Mitsubishi UFJ
Gregory Fell, Citi
Artemis Yu, Citi
Christine Cumming, FRBNY
Diane Reyes, HSBC
David Weisbrod, JPMorgan Chase
David Russo, Morgan Stanley
Darryll Hendricks, UBS
Steve Ellis, Wells Fargo
Robin Vince, Goldman Sachs

Michele Braun (Secretary), FRBNY
Marilyn Arbuthnott, FRBNY
Kimberly Corcoran, FRBNY
Jeanmarie Davis, FRBNY
Sandy Krieger, FRBNY
Tyisha Rivas, FRBNY
David Sewell, FRBNY
Staff at Board of Governors*

Part 1 only

Chandy Chandrasheekhar, BCG
Shubh Saumya, BCG*
Murray Pozmanter, DTCC
Susan Cosgrove, DTCC
Elena Staloff, DTCC

* *Participated by phone*

Part I

Representatives from the Depository Trust Company Corporation (DTCC) and Boston Consulting Group (BCG) discussed findings from a study on the costs and benefits of a shorter settlement cycle for U.S. equities, corporate, and municipal bonds. DTCC representatives reported that they are sharing the study findings with a broad range of industry participants to gather feedback and assess a possible consensus regarding appropriate next steps.

Part II

1. PRC Administration

- Minutes for the September 13 meeting were approved.
- The Chairman welcomed the new representative from Bank of Tokyo-Mitsubishi UFJ, Mr. Gotimer.
- FRBNY legal staff provided an annual briefing regarding antitrust matters. Guidelines for reducing the risk of anti-competitive or collusive behavior in Bank-sponsored committees were distributed prior to the meeting and members were directed to review these guidelines and either contact FRBNY legal staff directly or ask a member of their institution's legal staff to contact a FRBNY attorney with questions.

2. Tour de table/open discussion on topics of current interest

Committee members discussed various matters associated with risk in payments, clearing, and settlement systems.

3. Update and next steps on continuing strategic agenda workstreams

a. Settlement cycle for U.S. corporate bonds and equities.

The Committee discussed the DTCC/BCG presentation and asked to be kept apprised of next steps and requests from DTCC.

b. Central counterparty topics

The *central counterparty (CCP) workstream* is finalizing a report recommending that CCPs make certain information on their risk management practices available to their clearing members, to support member due diligence processes. The report also recommends a common framework for reporting that is expected to encourage greater consistency in reporting. Topics include governance, initial margin/guaranty fund composition, collateral structures, CCP investment balances and policies, policies for evaluating and monitoring clearing members, initial margin/guaranty fund methodologies, default procedures, and sharing of legal opinions. PRC members should expect to review the full report during the first quarter of 2013.

c. Business continuity planning

The *business continuity planning (BCP) work* team is drafting a report on lessons learned from the October 2012 simulation exercise that focused on intra- and inter-firm communications for responding to a significant payment, clearing, or settlement system outage. The committee reviewed an initial summary and discussed the overlap of the exercise with banks' experiences following "Superstorm Sandy" in late October. The committee agreed to defer a Phase II exercise on intraday liquidity.

4. Other business

a. PRC 2012 Accomplishments & 2013 Initiatives

The secretariat reviewed projects that were advanced and completed in 2012. The committee asked the working group to develop a proposal for a data collection on intraday liquidity for collateral as a possible addition to an update to the 2012 report on intraday liquidity flows. Committee members also expressed support for a seminar or project on cyber threat topics. The chairman invited committee members to submit additional recommendations for

continued or new initiatives.

b. Meeting schedule for 2013

- March 14; June 13; September 12; December 12

The meeting adjourned at approximately 4:45 p.m.