

Minutes of the regular meeting of the Payments Risk Committee

2:00 p.m. – 3:30 p.m., Wednesday, March 14, 2012

Federal Reserve Bank of New York

33 Liberty St., New York, NY

Present:

Paul Galant, Citigroup, Chair
Bill Pappas, Bank of America
Ed Ritter, Bank of America
Kurt Woetzel, Bank of New York Mellon
Masaru Hiraki, Bank of Tokyo-Mitsubishi UFJ
Gregory Fell, Citigroup
Artemis Yu, Citigroup
Russ Fitzgibbons, Deutsche Bank*
Christine Cumming, FRBNY
Robin Vince, Goldman Sachs*
John Ciccarone, HSBC
David Weisbrod, JPMorgan Chase
Graeme McEvoy, Morgan Stanley
David Russo, Morgan Stanley
David Crawford, State Street
Colin Parry, UBS
Steve Ellis, Wells Fargo

Michele Braun (Secretary), FRBNY
Alexa Herlach, FRBNY
Sandy Krieger, FRBNY
Tyisha Rivas, FRBNY
David Sewell, FRBNY
Staff at Board of Governors*

** Participated by phone or video*

1. PRC Administration

- Mr. Galant welcomed Ms. Diane Reyes, the new representative from HSBC.
- The committee discussed the value of active participation by member firms to best identify shared and system-wide risk concerns. Committee members were asked to nominate two topics of interest for potential future work efforts and to send these to the PRC Secretariat. Members agreed to evaluate proposed projects for feasibility and relevancy to the PRC's charter. Members expressed particular interest in risks in clearing and settlement, as well as in payments.
- Minutes for the December 7, 2011, meeting were approved.

2. Update and next steps on strategic agenda workstreams

For the *central counterparty (CCP) workstream*, the members heard a summary of recent “roundtable” discussions with CCP representatives and initial follow-on steps. According to the members, participants reported that the roundtable provided a useful opportunity for the participating firms to share information on risk management practices and issues, as well as to explore opportunities to work together. Initial topics for next steps included possible joint development of desirable disclosures of risk management practices at CCPs and transparency requirements for clearing members. A joint working session is tentatively scheduled for early May, following the anticipated release of the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs).

Following the PRC’s direction at the December meeting, a *business continuity planning (BCP)* work team proposed a two-exercise sequence, to occur over about eighteen months. The proposed exercises would focus on intra- and inter-firm communications and intraday liquidity. Phase 1 would focus on communications, and phase 2 might simulate outage at or damage to a shared infrastructure. The PRC endorsed the two-phase approach and supported a suggestion to explore possible cooperation with other relevant industry and public groups.

The committee discussed plans for the upcoming release of the *intraday liquidity flows* report. PRC members discussed repeating the study and agreed to assess the efficacy based on anticipated ramifications of major policy or market-practice changes. The committee will review the timing question in Q4 2012. [Note: The report was released on April 2, 2011, and can be found at http://www.newyorkfed.org/prc/prc_120329.pdf.]

3. Potential additional initiatives

Committee members were briefed on topics for possible study by the PRC and discussed possible risks and issues that might be appropriate for further committee consideration. They agreed to consider initiatives to assess the value of reducing settlement cycles in the U.S. and the risks associated with emerging payments.

4. Other business

a. Tour de table/open discussion

Tabled due to time restrictions.

b. Meeting Schedule for 2012

- June 13
- September 13
- December 13

The meeting adjourned at approximately 3:30 p.m.