



F M L G | F I N A N C I A L M A R K E T S L A W Y E R S G R O U P

Meeting Minutes

By Teleconference

Thursday, June 4, 2020

9:00am – 10:00am

Members present: Syed Riaz Ali, Sarah Ashkenazi, James Brown, Maria Douvas-Orme, Chinedu Ezetah, Terence Filewych, Jill Hurwitz, Robert Klein, Nancy Rigby, Jeffrey Saxon, Lisa Shemie, David Trapani, Frank Weigand, and Bryan Woodard

Federal Reserve Bank of New York (“New York Fed”) participants: Michael Nelson, Thomas Noone, and Kathleen Ramirez

Other participants: Amelia Kaufman (Deutsche Bank), Jeffrey Lillien (Wells Fargo), Yousuf Siddiqui (JPMorgan Chase & Co), and Josh Younger (JPMorgan Chase & Co)

Central bank digital currencies (“CBDCs”)

Josh Younger from JP Morgan Chase & Co. provided an overview of potential use cases for CBDCs. He and the other meeting participants discussed a number of related topics, including how digital currencies affect financial inclusion, facilitation of cross-border payments, U.S. sanctions programs, and management of geopolitical risk. Members also discussed potential design features of a CBDC, including retail versus wholesale, high turnover, and compatibility with bank privacy laws. It was also noted that there are proposals for the Federal Reserve to open accounts for everyone in the U.S., which will influence how people approach the idea of a CBDC. Finally, Mr. Younger and the members discussed sources of information on the development of CBDCs, including the Bank for International Settlements, the Monetary Authority of Singapore, the Bank of Canada, the European Central Bank, and the Cambridge Center for Alternative Finance.

ISDA LIBOR fallback protocol

Maria Douvas provided an update on the International Swaps and Derivatives Association (“ISDA”)’s ongoing initiatives to implement a protocol amending legacy London interbank offered rate (“LIBOR”) derivatives. ISDA anticipates publishing the protocol in July with a four

month period of adherence, such that the expected go-live date would be in November of this year. The four-month adherence period would allow market participants time to amend legacy LIBOR and other master agreements. New trading after the go-live date will incorporate fallbacks via an amendment to ISDA's 2006 definitions. ISDA is reviewing a long list of master agreements, including Foreign Exchange Committee agreements. Members were asked to review ISDA's list and inform Ms. Douvas and FMLG Secretary Thomas Noone of any missing agreements as soon as possible.

Turkey

Chinedu Ezetah discussed recent events in Turkey. Reports suggest that over the last three years, the lira has lost more than 60% of its value against the U.S. dollar and that Turkey's reserves of foreign currency have been substantially depleted. In May, the lira plunged to its lowest level in history when the Turkish central bank took actions that caused a market-wide lira liquidity problem. These actions included a cap on swaps that local banks can conduct with foreign financial institutions, which resulted in a lack of access to the lira from Turkish market participants and delayed payments, and a prohibition on certain foreign institutions from trading directly with local Turkish banks. Members discussed whether, given the impact of COVID-19, there may be a higher risk of other countries taking similar measures.

Unscheduled holidays & ISDA barrier option supplement

Ms. Douvas reported on ISDA's work on unscheduled bank holidays in deliverable markets, specifically the effects of those holidays on deliverable options and the barrier option supplement. With regard to deliverable options, the market practice in using 1998 definitions is to look to the location of the seller in determining whether an unscheduled holiday had occurred. In the context of barriers, many market participants will identify the barrier expiration date as the exercise date for the option. Members discussed the sequencing of reworking the barrier supplement and the 1998 definitions. FMLG Chair Michael Nelson recommended that members consider writing a letter proposing that they address the barrier supplement before the definitions.

German constitutional court

Mr. Noone discussed a recent decision from the German Constitutional Court regarding the European Central Bank ("ECB")'s public sector asset purchase program. As a result of the decision, the ECB has three months to provide a better justification for the legality of its asset purchase program under European law. If it is unable to proffer such an explanation, the *Bundesbank* will be prohibited from participating in the public sector asset purchase program and will have to divest assets purchased through the program.

Administrative matters

FMLG Treasurer Jill Hurwitz gave a brief update on the group's finances.

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