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**MEMORANDUM**

March 30, 2011

To Our Clients and Friends

Re: Board Proposal Regarding Systemically Important Financial Market Utilities

The Federal Reserve Board (“Board”) is requesting comment on a proposed rule relating to the supervision of systemically important financial market utilities (“FMUs”) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). Comments are due 45 days after publication in the *Federal Register*.

An FMU is a person that manages or operates a multilateral system for transferring, clearing or settling payments, securities or other financial transactions with or among financial institutions. The Financial Stability Oversight Council has the authority to designate an FMU as systemically important if its failure or disruption could create or increase the risk of significant liquidity or credit problems spreading among financial institutions or markets.

The Board’s proposed rule establishes risk-management standards governing the operations related to the payment, clearing and settlement activities of designated FMUs, (except those registered as a clearing agency with the Securities and Exchange Commission or as a derivatives clearing organization with the Commodity Futures Trading Commission). The standards are based on standards that the Board already includes in its Payment System Risk Policy.

The proposed rule also requires designated FMUs for which the Board is the primary supervisor to provide 60 days’ advance notice of any proposed change to its rules, procedures, or operations that could materially affect the nature or level of risks presented by the designated FMU. Such changes include changes that affect:

- Participant eligibility or access criteria
- Product eligibility
- Risk management
- Settlement failure or default procedures
- Financial resources

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- Business continuity and disaster recovery plans
- Daily or intraday settlement procedures
- Scope of services, including the addition of a new service or discontinuation of an existing service
- Technical design or operating platform, which results in non-routine changes to the underlying technological framework for payment, clearing, or settlement functions, or
- Governance

A copy of the proposed rule can be found at our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Lauren Bianchini at (202) 776-0700.