

TMPG Meeting Minutes

January 19, 2017

TMPG attendees

Julia Coronado (Graham Capital)	Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)
Dan Dufresne (Citadel)	Sheryl King (Bank of Canada)	Ryan Sheftel (GTS)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	James Slater (BNY Mellon)
Mike Garrett (Wellington)	Giuseppe Nuti (UBS America)	Stu Wexler (ICAP)
Beth Hammack (Goldman Sachs)	Sandie O'Connor (JPMorgan Chase)	Thomas Wipf (Morgan Stanley)
Gary Kain (AGNC Investment Corp)	Murray Pozmanter (DTCC)	

FRBNY attendees

Nashrah Ahmed	Frank Keane	Suraj Prasanna
Michelle Ezer	Lorie Logan	Brett Rose
Josh Frost	Radhika Mithal	Janine Tramontana
Christina Getz	Simon Potter	Nate Wuerffel

Federal Reserve Board attendee

Laura Lipscomb

U.S. Department of Treasury attendees

John Dolan Fred Pietrangeli

- The meeting commenced with the annual review of the TMPG's [Antitrust Guidelines for the Members of the TMPG and Associated Working Groups](#). The Chair welcomed new member Sheryl King from the Bank of Canada and attendees from the Federal Reserve Board and the Department of Treasury. The TMPG Secretary noted that the New York Fed would shortly begin its annual review of the TMPG's membership composition. Then members briefly reviewed some of the TMPG's accomplishments over the past year (see appendix).
- To prepare for a more detailed discussion on fails at the February meeting, members were requested to consult within their respective firms on the nature and trend in settlement fails.
- The TMPG reviewed and agreed to publish an update to its [Best Practices for Treasury, Agency Debt and Agency Mortgage Backed Securities Markets](#) that incorporates recommended practices to improve the quality and accuracy of tri-party repo transaction data reported to clearing banks. Members noted that this will facilitate a more comprehensive and accurate view into the tri-party repo market and aid in the development of more robust benchmark rates, including [overnight Treasury GC repo rates](#).¹

¹ The TMPG subsequently [published](#) the updated Best Practices on January 24, 2017.

- Members then received an update from the information handling working group. The TMPG discussed certain draft best practice recommendations, including proposed recommendations on communication of practices for handling confidential information to counterparties and practices regarding sharing of information about one’s own trading positions. Members of the working group noted that an accompanying document with additional information and examples related to information handling was being drafted for the group’s consideration. TMPG members requested that the working group continue to refine the draft best practices recommendations.

- Next, the working group on clearing and settlement in the government securities markets provided an update. Members reviewed drafts of a partial set of clearing structure maps developed for the cash Treasury market. An outline of a proposed white paper to document the clearing arrangements was also discussed. The working group noted that it would begin drafting sections of the white paper and would likely seek to dimension the volume of trade flows. The TMPG provided feedback on the work underway and suggested that the working group focus its initial work on a description of the Treasury cash market clearance and settlement practices, after which further analysis could be conducted. The working group leads agreed to take this under consideration.

- Finally, the TMPG briefly discussed recent market developments, including expectations for and uncertainty around domestic policy initiatives in the near term. Members also exchanged views on possible factors underlying the relatively low level of overnight Treasury repo rates over year-end.

- The next TMPG meeting is scheduled to take place on Tuesday, February 28th, 2017 from 3:00-5:00 PM.

Appendix

TREASURY MARKET PRACTICES GROUP 2016 Accomplishments

Guidance on use of financial benchmarks: Updated existing best practices by incorporating [recommendations to address the use of financial benchmarks](#) in TMPG-covered markets. Financial benchmarks are widely used in TMPG-covered markets and TMPG considered it essential for market participants to understand and manage the risks around the use of benchmarks, and to choose financial benchmarks that are compliant or consistent with *IOSCO Principles for Financial Benchmarks*. TMPG also released a supporting document that discussed three case studies that helped inform the best practice guidance. (Feb 24)

In the supporting document TMPG noted that, ICAP, the publisher of the fed funds open (FFO), did not consider the FFO to be a benchmark under the *IOSCO Principles* yet it is utilized by market participants as if it did have the attributes of a benchmark. The TMPG worked with the RMA and SIFMA to [advance the replacement of the FFO](#) with benchmarks that are more compliant or consistent with the *IOSCO Principles*. ICAP subsequently ceased publishing the FFO effective October 1, 2016. (May 4)

Continuing work around settlement fails charges: TMPG provided [clarity on the effective date of change to the fails charge rate](#) given a change to the reference rate used in the fails charge calculation. More specifically, the TMPG noted that changes to the TMPG reference rate (i.e. the federal funds rate) are aligned with the effective date of changes to target federal funds rate or range. (Feb 25)

In response to the rise in settlement fails, [TMPG modified its recommended U.S. treasury and agency debt securities fails charge trading practices](#) by reducing the minimum threshold exemption for settlement fails in these markets. (June 29)

Margin for agency MBS transactions: Following an update to the TMPG at its June 28 meeting, FINRA amended its Rule 4210 (Margin Requirements) to establish margin requirements for transactions in the To Be Announced (TBA) market. Although the TMPG best practice recommendation for margining of agency MBS transactions suggests market participants exchange two-way margin, [TMPG supported FINRA's rule amendment](#) and support of risk mitigation through margin collection. The Group noted that market participants should continue to adhere to the TMPG best practice of two-way margin exchange which while not presently mandated by the FINRA Rule is permissible under the Rule. (July 13)