

## TMPG Meeting Minutes

April 10, 2018

### TMPG attendees

Dan Dufresne (Citadel)	Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	Ryan Sheftel (GTS)
Beth Hammack (Goldman Sachs)	Sandie O'Connor (JP Morgan Chase)	Thomas Wipf (Morgan Stanley)
Gary Kain (AGNC Investment Corp)	Murray Pozmater (DTCC)	

### FRBNY attendees

Caren Cox	Lorie Logan	Brett Rose
Michelle Ezer	Radhika Mithal	Janine Tramontana
Josh Frost	Jamie Pfeifer	Carolyn Windover
Frank Keane	Simon Potter	Nate Wuerffel

### U.S. Department of Treasury attendees

Laura Lipscomb

### FINRA attendees

David Aman	Kris Dailey	Bill Wollman
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### New York FXC attendee

Chris Taendler (Goldman Sachs)

- The meeting commenced with the Chair welcoming guests from the Financial Industry Regulatory Authority (FINRA). The FINRA representatives discussed potential modifications to FINRA Rule 4210, a rule that would establish margin requirements for transactions in the To Be Announced (TBA) market. FINRA staff noted that these modifications were being considered in response to concerns raised by small- and medium-size broker dealers. TMPG members emphasized that the committee considers margining of forward settling agency MBS transactions to be an important [recommended best practice](#) for all market participants to mitigate counterparty exposure and urged FINRA staff to consider the modifications carefully and move expeditiously toward implementation.<sup>1</sup> Following this discussion, FINRA representatives left the meeting.
- Next, a representative from the Foreign Exchange Committee (FXC) was welcomed to discuss market progress in adoption of the [FX Global Code](#) (Code).<sup>2</sup> The representative pointed at several of the mechanisms proposed by the Foreign Exchange Working Group that have been

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<sup>1</sup> FINRA subsequently filed a [proposed rule change](#) to extend to March 25, 2019 the implementation date of the amendments to FINRA Rule 4210.

<sup>2</sup> The [FXC](#) is an industry group that has been providing guidance and leadership to the global foreign exchange market. The FXC is sponsored by the Federal Reserve Bank of New York.

effective in this regard.<sup>3</sup> For instance, it was noted that many FX market participants have issued a [Statement of Commitment](#) to demonstrate their recognition of, and commitment to, adopting the Code. In addition, many central banks have also taken numerous steps to encourage adoption of the Code including by adopting the Code themselves and incorporating adoption of the Code into both their foreign exchange counterparty policies as well as into the membership framework for the foreign exchange committees they sponsor. During the ensuing discussion TMPG members inquired about challenges encountered in promoting adoption of the Code and how they were being addressed. Following this discussion the FXC representative left the meeting.

- One of the co-chairs of the TMPG's outreach working group established to promote awareness of the TMPG's information handling guidance discussed a proposed work plan to achieve the workgroup's objectives. The plan involves a multipronged approach including targeted outreach to diverse market constituents, speaking engagements and presentations at industry events, and considerations of ways to measure adherence to best practices. Members provided feedback and asked the group to identify specific opportunities for member engagement.
- The Chair then provided a series of updates. First, he thanked Caren Cox for providing interim support for the TMPG Secretariat. He then informed the TMPG that a small group of members would meet periodically with FHFA staff to provide perspectives on progress related to preparations for [implementing the Uniform MBS](#) and any related challenges. The Chair also debriefed members on a meeting with SIFMA senior management to look for opportunities to support adoption of best practices, improve engagement between the two groups, socialize upcoming initiatives across the committees early in their development process, and have regular touch points and interaction at various forums.
- The TMPG briefly discussed recent market developments, including recent money market dynamics and funding conditions.
- Next, the TMPG Secretariat summarized feedback received from market participants on the TMPG's [proposed](#) modification to add a floor to the settlement fails trading practice to ensure that a minimal charge remains in place to maintain operational continuity of the practices. Members were informed that the TMPG Secretariat received feedback from a range of market participants who on balance supported the proposal and concurred that the proposed modification was appropriate to ensure that fails do not increase even if short term interest rates rise or fluctuate. It was noted that most respondents felt the 1 percent floor would

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<sup>3</sup> The FXWG was a group of central bank representatives operating under the auspices of the Markets Committee of the Bank for International Settlements. In May 2017 the FXWG released the [Report on Adherence to the FX Global Code](#) which noted that to be effective in strengthening conduct standards the Code will need to be embraced, adopted and adhered to by market participants. It provided a blueprint for achieving widespread adoption of the Code.

provide sufficient incentive to keep operational processes well-oiled and avoid inefficiencies associated with turning operational collection processes and systems off and on. A few market participants expressed concerns about the potential for unintended consequences and preferred no modifications at this time. TMPG members judged that the introduction of a floor was an inexpensive tool that could help reduce the risk of increased settlement fails irrespective of the level of short term interest rates. The TMPG agreed to recommend an updated trading practice that includes a floor of 1 percent per annum to the fails charge for transactions in Treasury, agency debt and agency MBS markets.<sup>4</sup>

- Finally, the co-chairs of the clearing and settlement working group provided a brief update. Members were asked to review a draft white paper that details existing clearing and settlement arrangements in the secondary market for Treasury securities and identifies potential risks associated with these processes. Members agreed with the co-chairs' proposal to use the public consultation period for the white paper to seek input on the content, solicit advice on potential best practice recommendations and consider solutions to address potential risks identified in the clearing and settlement process. It was noted that this approach would allow the TMPG to incorporate diverse perspectives as it develops next steps.
  
- The next TMPG meeting is scheduled to take place on May 22, 2018, from 3:00-5:00 PM.

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<sup>4</sup> The TMPG subsequently [published](#) updates to its fails charge practice recommendations on April 12, 2018.