

TMPG Meeting Minutes

January 15, 2019

TMPG attendees

Alberto Antonini (Tudor)	Edward McLaren (Bank of America)	Stu Wexler (NEX Group)
Deirdre Dunn (Citigroup)	Jerry Pucci (BlackRock)	Thomas Wipf (Morgan Stanley)
Beth Hammack (Goldman Sachs)	Marc Seidner (PIMCO)	Gemma Wright-Casparius (Vanguard)
Gary Kain (AGNC Investment Corp)	Ryan Sheftel (GTS)	

FRBNY attendees

Frank Keane	Rania Perry	Janine Tramontana
Lorie Logan	Simon Potter	Carolyn Windover
Radhika Mithal	Brett Rose	Nate Wuerffel

- The meeting commenced with the Chair welcoming new member Gemma Wright-Casparius from Vanguard to the TMPG. Members reviewed updates to the group’s [Charter](#) and the [Antitrust Guidelines for the Federal Reserve Bank of New York’s Advisory and Sponsored Groups](#) (“Guidelines”). It was noted that Guidelines replace the TMPG’s prior antitrust guidelines. FRBNY counsel instructed the members to review the Guidelines and share them with colleagues from their institutions who also work on TMPG matters. She also highlighted the appropriate role of best practices and market conduct recommendations, and addressed anti-competitive conduct that could cause legal or reputational risk to the TMPG and the FRBNY.
- There was a brief discussion on recent market developments, including market reactions to December [FOMC meeting](#), recent market volatility, and money market dynamics at year-end.
- Members also discussed a recent outage of BrokerTec, a large trading platform for Treasury securities.¹ Members noted that the timing and nature of this particular outage had a relatively limited impact given that, in this case, there were no unmatched trades and the outage occurred during a period of low trading activity. It was noted the ramifications would have been greater had the event occurred at a busier time or if middle- and back-office processes were disrupted. There was also a brief discussion on lessons learned from the outage including the potential for such events to spill over to other platforms and markets, such as Treasury futures or other trading venues, and the downstream operational, data and trading systems that may rely on such platforms and data. Members, in particular, highlighted the importance of evaluating dependencies on critical service providers and observed that all market participants—platform users and operators alike—should review the business processes that rely on critical service providers, the internal controls around such processes, and ensure their back-up plans contemplate operating under such contingent events.

¹ The BrokerTec outage occurred at 1:43 p.m. on Friday, January 11 and lasted for just under two hours.

- The group discussed the recent publication of a TMPG [press release](#) and a New York Fed [statement](#) related to the implementation of TMPG's information handling best practice recommendations. The chair of the information handling working group shared the following aggregated and anonymized results of a survey of TMPG members by the TMPG secretariat on implementation of the information handling recommendations: most member firms had implemented the best practices within their institutions as appropriate to their businesses; some member firms had made their information handling practices publically available while others indicated that these practices were made available through existing counterparty agreements; and members had a range of views on how they will engage with their counterparties regarding these practices including through their standard counterparty review processes. Members discussed ways to continue encouraging broad adoption of the recommendations by market participants, including conducting a workshop or publishing a blog post.
- The chair of the clearing and settlement working group discussed a draft of proposed best practice guidance developed by the working group to address risks identified in the clearing and settlement white paper. Members were asked to review the draft guidance and provide feedback to the TMPG secretariat on the feasibility of, and time needed to, implement the proposed best practice recommendations related to clearing and settlement. The chair noted that the working group will discuss aggregated feedback at the March TMPG meeting and aim to publish the draft best practice recommendations for public comment thereafter. Members also discussed potential areas of future clearing and settlement work and agreed to consider these in conjunction with other future priorities of the TMPG.
- Next, TMPG members discussed ongoing and potential future priorities for 2019 (see Appendix). Members were broadly supportive of the TMPG exploring such future priorities and in particular, the market transition to Uniform MBS (UMBS) under the Federal Housing Finance Agency (FHFA) Single Security Initiative, margining for certain forward-settling trades (e.g., when-issued securities), and continued monitoring of developments in central clearing solutions for government securities trading. In light of the transition to UMBS for TBA trading with settlement beginning in June 2019, the TMPG agreed to convene the group's working group on this topic to highlight any existing best practices that could aid in a smooth transition to the new trading convention. The working group will report back at the TMPG's next scheduled meeting.
- The TMPG then reviewed summary statistics related to its agency [MBS margining recommendation](#). TMPG secretariat noted that as of December 15, 2018 TMPG member firms had, on average, executed margining agreements with about 66 percent of their counterparties. These agreements covered approximately 80 percent of notional trading volume of forward settling MBS transactions (excluding those centrally cleared) and margin exchange was

operationalized for roughly 91 percent of these executed agreements. Members were informed that these statistics were generally in line with recent averages.

- The next TMPG meeting is scheduled to take place on March 7, 2019 from 3:00-5:00 PM.

2019 Potential Future Priorities

Current Priorities

- Publish proposed best practice guidance on clearing and settlement for public comment.
- Update TMPG Best Practices by incorporating clearing and settlement recommendations.
- Continue efforts to promote broad adoption of TMPG's information handling best practices.

Ongoing Priorities

- Continue to monitor the level of settlement fails and assess the structure of the Treasury, agency debt and agency MBS fails charge practice recommendation.
- Continue to analyze the drivers of changes in liquidity in TMPG covered markets.
- Continue to promote margining of forward-settling agency MBS transactions and track developments related to the FINRA margining rule implementation and any potential impact on adoption of TMPG best practice.
- Continue to encourage and support industry business continuity preparedness across TMPG covered markets, including SIFMA's initiatives on crisis communication and response, geographic resiliency, and dependence on common service providers.

Potential Future Priorities

1. Market structure changes
 - a. Consider issues around the transition to UMBS in the agency MBS TBA market.
2. Clearing and settlement
 - a. Continue to monitor developments in central clearing solutions for government securities trading.
 - b. Consider the feasibility of developing minimum risk management standards for bilaterally cleared cash trades.
 - c. Study the range of bilateral and bespoke credit enhancement agreements; including, whether they allow a provider to limit or terminate the agreement with little notice.
 - d. Develop process maps for clearing and settlement in other markets – repo, futures, etc.
3. Risk management
 - a. Study volumes of certain forward settling trades, i.e., when-issued securities, and consider the feasibility of extending TMPG recommendations on margining.
4. Business continuity
 - a. Cyber risks in the context of key electronic trading platforms and brokers, particularly in terms of market disruption/breach of firm and clients data in the UST market.
5. Reference rates
 - a. Consider if there are ways to support ARRC efforts to transition from LIBOR to SOFR.
6. Data and transparency
 - a. Evaluate possible new sources of Treasury market data available to market participants.
7. Trading practices
 - a. Examine certain market practices such as last look in TMPG covered markets and consider developing guidance.