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TMPG Encourages Market Attention to Best Practice Recommendations during Coronavirus Pandemic

Given the recent volatility in the Treasury, agency, and agency mortgage-backed securities (MBS) markets related to the coronavirus pandemic, the Treasury Market Practices Group (TMPG) encourages market participants to remain attentive to the TMPG's [best practice recommendations](#) during this time in order to support market integrity and efficiency.

Specifically, participants in TMPG-covered markets can expect to see large trading volumes as quarter-end portfolio adjustments are executed, and material price movements might be observed. To limit the potential impact of this volatility on market functioning and execution outcomes, the TMPG recommends that market participants be particularly attentive to the following best practices:

- All market participants should behave in a manner that supports market liquidity and integrity. *(I. Promoting Liquidity and Transparency – 2)*
- Market participants should be responsible in quoting prices and should promote overall price transparency across trading platforms. *(I. Promoting Liquidity and Transparency – 3)*
- Market participants employing trading strategies that involve high trading volume or quoting activity should be mindful of whether a sudden change in trading strategies could adversely affect liquidity in the Treasury, agency, or agency MBS markets, and should seek to avoid changes likely to cause such disruptions. *(I. Promoting Liquidity and Transparency – 4, 5)*
- Market participants managing against benchmarks or engaging in transactions that reference benchmarks, including transactions conducted at to-be-determined levels, should establish internal guidelines and procedures for executing and managing the risks of such transactions. *(III. Maintaining a Robust Control Environment: Risk Management – 3)*
- Consistent with prudent management of counterparty exposures, forward-settling transactions, such as agency MBS transactions, should be margined. *(III. Maintaining a Robust Control Environment: Risk Management – 12)*
- Market participants should recognize that risk from any disruption that could have a systemic impact on service providers, critical venues, or clearing and settlement services is a risk that the market holds jointly, and plan for a potential lack of access to service providers, critical trading venues, and clearing and settlement services, and manage the associated risk. *(III. Maintaining a Robust Control Environment: Risk Management – 11, 13)*



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- Market participants should avoid any strategies that create or exacerbate settlement fails and market participants with large short positions should make deliveries in good faith. (IV. *Maintaining Large Positions with Care – 1, 3*)
- A market participant’s policies and systems should ensure that trades are entered into trading systems promptly by the trading desk staff and made available to the operations area as quickly as possible in order to promote efficient settlement. (V. *Promoting Efficient Market Clearing – 1*)

In these unprecedented times, we encourage participants in the Treasury, agency, and agency MBS markets to be aware of how their actions can be supportive of continued market functioning, integrity, and efficiency. Prudent market practices are of particular importance given the need for official actions to support the markets and the broader economy.

“Market participants should be particularly mindful of TMPG Best Practices as we all navigate these tumultuous times,” said Jerry Pucci, Chair of the TMPG. “Please consider the best ways to conduct business without making challenging conditions worse. It is in our collective interest to protect market integrity and function now more than ever. We are all in this together.”

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About the Treasury Market Practices Group (TMPG):

The Treasury Market Practices Group (TMPG) is a group of market professionals committed to supporting the integrity and efficiency of the Treasury, agency debt and agency mortgage-backed securities (MBS) markets. The TMPG is composed of senior business managers and legal and compliance professionals from a variety of institutions – including securities dealers, banks, buy-side firms, market utilities and others – and is sponsored by the Federal Reserve Bank of New York. More information is available at: www.newyorkfed.org/tmpg

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