

TMPG Meeting Minutes

December 17, 2019

TMPG attendees

Alberto Antonini (Tudor)	Rob Huntington (Credit Suisse)	Murray Pozmanter (DTCC)
Deborah Cunningham (Federated)	Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	Rasmus Rueffer (ECB)
David Finkelstein (Annaly)	Andrea Pfenning (BNY Mellon)	Ryan Sheftel (GTS)
Beth Hammack (Goldman Sachs)	Thomas Pluta (JP Morgan)	Gemma Wright-Casparius (Vanguard)

FRBNY attendees

Frank Keane	Matt Milroy	Kyle Watson
Lorie Logan	Rania Perry	Nate Wuerffel
Susan McLaughlin	Janine Tramontana	

U.S. Department of Treasury attendees

Nicholas Steele	Brian Smith
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- The meeting commenced with the Chair thanking three departing members from the TMPG: Beth Hammack from Goldman Sachs, Deirdre Dunn from Citigroup and Gary Kain from AGNC Investment Corp. The Chair then welcomed Susan McLaughlin from the FRBNY to the meeting and informed members that Susan will be involved in the TMPG's repo clearing and settlement working group.
- The TMPG then turned to a discussion of recent market developments. Members discussed the outlook for domestic repo markets over the year-end turn. Overall, private sector members noted that reserve management purchases and repo operations by the Federal Reserve have been successful in maintaining stable funding conditions and reducing the expected level of volatility over year-end. Members also noted that expected volatility over year-end had been further dampened by an increase in advance preparation by market participants, including "locking-in" funding over the year-end turn. Members then discussed the impact of reserve management purchases on the bill market, noting that bill market liquidity remains in line with recent averages and there are no signs of adverse market functioning. Looking ahead to 2020, members agreed that Fed repo operations helped stabilize the repo market and suggested any modifications to repo operations be done in a gradual and transparent manner. This portion of the meeting concluded with a discussion of best practices for booking forward starting repo trades. Forward settling repo transactions occur when a borrower and lender agree to enter into a repurchase agreement for a future settlement date. All forward trades, where trade date and settlement date are not on the same day, are not included in the daily reference rates such as the Secured Overnight Financing Rate (SOFR). If the parties to these transactions do not

accurately reflect the original trade date when novating the trade to the clearing house, the transactions would be included in the SOFR calculation. Members highlighted the importance of booking trades in a timely manner and accurately capturing the trade date – consistent with existing TMPG best practice recommendations and supportive of reference rate data integrity.

- Next, members agreed upon initial goals of the recently formed [working group on repo clearing and settlement](#). The working group’s first objectives are to map the clearing and settlement landscape for USD repo (including messaging flows, payment flows, and movements of collateral) and summarize any observations on the evolution market structure and activity in recent years. The TMPG agreed that, once the initial work is completed, the working group should seek to identify any risk and resiliency issues or other concerns, and consider whether further TMPG work is warranted, such as enhancements the group’s recommended best practices or the publication of a note or whitepaper.
- The Chair then reminded members that the November meeting left open a discussion on the applicability and suitability of the existing best practices to products such as [Tradeweb’s closing price products](#). Members agreed to initiate a working group that will monitor the development and use of financial benchmarks in covered markets in light of existing best practice guidance and consider whether any new best practice recommendations would be appropriate.
- Finally, TMPG members discussed ongoing and potential future priorities for 2020 (see Appendix). Members were broadly supportive of the TMPG exploring such future priorities and in particular, continuing to explore developments around financial benchmarks.
- The next TMPG meeting is scheduled to take place on February 25th, 2020 from 3:00-5:00 PM.

APPENDIX - TREASURY MARKET PRACTICES GROUP

2020 Potential Future Priorities

Current Priorities

1. Study and map the current structure of repo market clearing and settlement practices for Treasury and agency MBS markets
2. Monitor mortgage market functioning given the transition to a Uniform MBS
3. Continue industry outreach efforts to promote broad adoption of TMPG's best practice recommendations, including those related to clearing and settlement

Ongoing Priorities

1. Continue to monitor the level of settlement fails and update TMPG's fails charge practice as needed to support the function of the Treasury, agency debt, and agency MBS markets
2. Continue to monitor and analyze market liquidity dynamics in TMPG covered markets
3. Continue to promote best practices for two-way margining of forward settling MBS transactions and track market and regulatory developments in the area
4. Continue to encourage and support industry business continuity preparedness across TMPG covered markets, including initiatives on crisis communication and response, geographic resiliency, and dependence on common service providers
5. Periodically evaluate the structure and applicability of the existing best practices document to maintain relevance

Potential Future Priorities

1. Business continuity and resiliency
 - a. Continuity and resiliency risks in the context of critical electronic trading platforms, brokers, service providers, and utilities
2. Trading practices
 - a. Review certain market practices such as last look, spoofing and market on close orders in TMPG covered markets and consider whether new practice guidance should be recommended
3. Risk management
 - a. Reevaluate whether it is appropriate to extend TMPG recommendations on margining to other forward settling trades
4. Financial benchmarks
 - a. Determine if there are any additional areas TMPG should explore for benchmarks
 - b. Continue to monitor developments in repo markets as they relate to the SOFR transition
5. Data and transparency
 - a. Monitor and evaluate any new sources of data available to market participants in the covered markets and whether best practice updates should be recommended