

TMPG Meeting Minutes

January 15, 2014

TMPG attendees

Art Certosimo (BNY Mellon)	Beth Hammack (Goldman Sachs)	Nancy Sullivan (BNY Mellon)
Julia Coronado (BNP Paribas)	Curt Hollingsworth (Fidelity)	Mark Tsesarsky (Citigroup)
Brian Egnatz (HSBC)	Jim Hraska (Barclays)	Stu Wexler (ICAP)
John Fath (BTG Pactual)	Murray Pozmanter (DTCC)	Tom Wipf (Morgan Stanley)
Michael Garrett (Wellington)	Gerald Pucci (Blackrock)	Matt Zames (J.P. Morgan)

FRBNY attendees

Joshua Frost	Susan McLaughlin	Janine Tramontana
Frank Keane	Michael McMorrow	Nate Wuerffel
Lorie Logan	Roman Shimonov	
Simon Potter	Susmitha Thomas	

U.S. Treasury Department attendee

James Clark

- The meeting commenced with the annual review of the TMPG’s [Charter](#) and [Antitrust Guidelines for the Members of the TMPG and Associated Working Groups](#).
- The discussion then shifted to recent market developments including financial market reactions to the December FOMC meeting and related communications and a discussion of the New York Fed’s [Overnight Fixed-Rate, Reverse Repurchase Agreement Operational Exercise](#).
- Members then reviewed statistics that indicated, following the TMPG’s [removal of the two-day resolution period for agency MBS fails charges](#) in July 2013, the level of agency MBS fails had fallen on average to about half of the average level of fails observed in the year-and-a-half prior to the change. Members broadly agreed that the removal of the resolution period contributed to this more timely aggregate settlement activity.
- The TMPG then turned to a discussion of its best practice [recommendation](#) to margin forward-settling agency MBS transactions.
 - Members reviewed summary statistics that indicated, at the end of 2013, TMPG member firms had, on average, executed margining agreements with roughly 50 percent of their counterparties, which covered roughly 70 percent of their notional trading volume (excluding centrally cleared trades).
 - Members agreed that more progress was still needed and that the Group should continue to monitor member firms’ progress towards full implementation of the recommendation. Furthermore, members agreed that such monitoring should also now focus on the actual exchange of margin between counterparties, in addition to the execution of legal agreements.

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- Some members noted that several participants at a recent SIFMA conference had commented that awareness of the margining recommendation had gone up substantially toward the end of the year and that their current focus was on substantially completing the implementation of the margining recommendation in the near term.
- The Group then discussed industry efforts to facilitate the financing of one-day-to-maturity securities in the tri-party repo market. Clearing banks reported that they have independently developed and are implementing system and other enhancements to allow one-day-to-maturity securities to be used as collateral in tri-party transactions. They also noted that they are in the process of updating related operational procedures and documentation, as well as communicating the expected changes to clients.
- It was noted that no comments or questions had been directed to the Group related to the release of its [white paper](#) entitled *Operational Plans for Various Contingencies for Treasury Debt Payments*.
- Members then considered recent feedback related to the applicability of the fails charge trading practice [recommendation](#) for free deliveries, round robins and pair offs. Members noted that, as indicated in the Group's [frequently asked questions \(FAQs\) on fails charges](#), the TMPG fails charge recommendations are not currently applicable to transactions in which a recipient does not make a payment of funds upon receipt of securities, or where delivery of securities does not occur, including round robins that are resolved without delivery taking place. Members agreed to further consider questions related to these points at future meetings.
- The TMPG then discussed several potential future priorities for the Group. Members agreed to form a working group to explore the scope of algorithmic and high frequency trading on TMPG covered markets. The Group also discussed other potential priorities, including possible further enhancements to market data transparency, better understanding of the current use of benchmarks and reference rates in Treasury, agency debt and agency MBS markets, and potential modifications and updates to the existing recommended [Best Practices for Treasury, Agency Debt, and Agency Mortgage -Backed Securities Markets](#).
- The next TMPG meeting will take place on Tuesday, February 11, from 4:00-6:00 PM.