

TMPG Meeting Minutes

January 18, 2018

TMPG attendees

Lisa Black (TIAA Investments)	Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)
Dan Dufresne (Citadel)	Sheryl King (Bank of Canada)	Ryan Sheftel (GTS)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	James Slater (BNY Mellon)
Kourtney Gibson (Loop Capital)	Giuseppe Nuti (UBS)	Stu Wexler (NEX Group)
Beth Hammack (Goldman Sachs)	Sandie O'Connor (JP Morgan Chase)	Thomas Wipf (Morgan Stanley)
Gary Kain (AGNC Investment Corp)		

FRBNY attendees

Pinchas Becker	Lorie Logan	Simon Potter
Caren Cox	Justin Meyer	Janine Tramontana
Josh Frost	Radhika Mithal	Carolyn Windover
Christina Getz	Holger Neuhaus	Nate Wuerffel
Frank Keane	Brett Rose	

Board of Governors of the Federal Reserve System attendee

David Bowman

U.S. Department of Treasury attendees

Fred Pietrangeli	Laura Lipscomb
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- The meeting commenced with the annual review of the TMPG's *Antitrust Guidelines for the Members of the TMPG and Associated Working Groups*. The TMPG Secretary noted that the New York Fed would shortly begin its annual membership discussions with members.
- As a follow-up to the [December meeting](#), the chair for the information handling working group shared updated drafts of the best practice recommendations on information handling and the related illustrative examples reflecting feedback received from TMPG members and its public consultative process. The TMPG reviewed and agreed to publish the updated best practices recommendations incorporating guidance on the sharing and use of confidential information and an accompanying document with the illustrative examples.¹ The TMPG members noted their appreciation to all those who had engaged in the process and provided feedback on the practices. The chair noted the focus will shift to focus on promoting widespread adoption of the practices in the coming months.
- The co-chairs of the working group on clearing and settlement shared revised draft clearing and settlement maps for secondary cash market transactions in Treasury securities. The co-chairs noted that the revised maps incorporate feedback received at the December meeting and that

¹ The TMPG subsequently [published](#) the updated best practice recommendations and illustrative examples on January 22, 2018.

the working group viewed the maps as close to final. One of the co-chairs led a preliminary discussion of potential risks identified by the working group in the clearing and settlement process. TMPG members provided some initial feedback on the risks and asked the working group to continue refining this work and begin to consider potential recommended best practices to mitigate those risks.

- Next, the TMPG briefly discussed ongoing and potential 2018 priorities (see Appendix 1). Members were broadly supportive of the TMPG exploring such future priorities and in particular, trading practices including last look and increased data transparency for the covered markets. TMPG members were supportive of considering whether new best practice guidance would be appropriate in these areas, consistent with broader market perspectives raised at the [TMPG's Conference to Mark 10 Years of the TMPG](#).
- The chair of the settlement fails working group noted that the working group continues to research whether aggregate clearing bank data are available to explain trends in fails for seasoned and benchmark securities. The chair then moved to a discussion of a suggestion put forward by the settlement fails working group to amend the fails charge practice to include an explicit static component that would remain in place even if short term interest rates rose further. It was noted that the chief rationale for having an explicit static charge was to avoid operational inefficiencies and risks associated with turning the charge off and back on. Members also noted that such a component might guard against the risk that the lack of an explicit charge could diminish the incentive to prevent fails. TMPG members were asked for feedback on what level might be appropriate to consider for an explicit charge and any challenges the market may have in implementing such a change to the fails charge practice.
- Finally, during the recent market developments agenda item, members briefly noted an observation regarding movement of market making activity in the covered markets from broker dealer affiliates to non-broker dealer affiliates. Specifically, members noted that only registered broker dealers have regulatory requirements to report transactions to FINRA's TRACE system. It was also noted that irrespective of where market making activity occurs, the TMPG recommends that all Treasury, agency debt, and agency MBS market participants incorporate the best practices in their operations in order to promote trading integrity and to support an efficient marketplace, including the best practice recommendation that, "consistent with prudent management of counterparty exposures, forward-settling transactions, such as agency MBS transactions, should be margined."
- The next TMPG meeting is scheduled to take place on February 27, 2018, from 3:00-5:00 PM.

2018 Potential Future Priorities

Current Priorities

- Examine clearing and settlement arrangements in Treasury cash market and consider enhancements or additions to existing TMPG best practice guidance on clearing and settlement.
- Track ongoing developments in central clearing of repo transactions.
- Build a better understanding of the root causes for the observed rise in frictional fails in seasoned securities and for fails in the benchmark securities.

Ongoing Priorities

- *Long-term priorities:*
 - Continue to examine the level of settlement fails and assess structure of the Treasury, agency debt and agency MBS fails charge rates
 - Continue analyzing the drivers for changes in liquidity in TMPG covered markets
 - Continue to seek to enhance data transparency for TMPG covered markets
- Continue to promote margining of forward settling MBS transactions and track the implementation of the FINRA margining rule and any potential impact on adoption of TMPG best practice
- Continue encouraging 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

- Evaluate the structure of the existing best practices document
- Trading practices
 - Examine certain market practices such as last look and consider developing guidance
- Data and transparency
 - Consider ways to support the public dissemination of Treasury data collected via TRACE
 - Evaluate possible new sources of data available to market participants on Treasury markets
- Market structure changes
 - Consider issues around transition to a single security for the TBA market
- Risk management
 - Consider extending TMPG recommendations on margining to other forward settling trades, e.g., when-issued securities
- Adoption of best practices
 - Promote awareness of information handling guidance across various types of market participants
 - Monitor and measure adoption of best practices