

TMPG Meeting Minutes

March 7, 2019

TMPG attendees

Alberto Antonini (Tudor)	Gary Kain (AGNC Investment Corp)	Marc Seidner (PIMCO)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	Stu Wexler (NEX Group)
Kourtney Gibson (Loop Capital)	Sandie O'Connor (JPMorgan Chase)	Thomas Wipf (Morgan Stanley)
Beth Hammack (Goldman Sachs)	Murray Pozmanter (DTCC)	Gemma Wright-Casparius (Vanguard)
Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)	

FRBNY attendees

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

Fixed Income Clearing Corp attendees

James Hraska	Laura Klimpel
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U.S. Department of Treasury attendees

Fred Pietrangeli

- The meeting commenced with the Chair welcoming representatives from the Fixed Income Clearing Corp (FICC). The FICC representatives provided an update on FICC's sponsored member and Centrally Cleared Institutional Triparty (CCIT) services.¹ The representatives also discussed proposals to expand FICC sponsoring member eligibility criteria; plans to begin including the start-leg of overnight repo in the clearing house net; and plans to create one clearing fund for the government securities and mortgage backed securities divisions of FICC. The representatives noted that FICC's proposals, which are pending regulatory approval, are designed to improve access to central clearing, increase clearing efficiencies, and reduce clearing costs for market participants. In conclusion, the representatives noted that the recent revision to the fee structure has led to increased interest from new types of market participants, but take-up in membership has been limited. Following the discussion, the FICC representatives left the meeting.
- The group discussed several administrative items. The Chair thanked departing member Sandie O'Connor from JP Morgan Chase and TMPG Secretary Radhika Mithal for their contributions to the TMPG. Reflecting on FINRA's [announcement](#) delaying the implementation of the amendments to Rule 4210, members emphasized that all market participants should continue implementing the [TMPG best practice](#) recommendation to margin forward settling transactions to help mitigate counterparty risk.² The Chair provided a debrief on TMPG presentations on the

¹ Presentation material is available [here](#).

² FINRA Rule 4210 relates to margin requirements for covered agency transactions; the amendments apply the rule to MBS transactions but implementation has been delayed until March 2020.

clearing and settlement at the [Rates Evolved](#) conference and the RMA [Securities Market of the Future](#) seminar. Following up on the discussion at the January meeting, members agreed that TMPG priorities to be explored further are as follows: review market transition to Uniform Mortgage-Backed Security (UMBS); study feasibility of margining for certain forward-settling trades (e.g., when-issued securities); continue monitoring developments in central clearing solutions for government securities trading; and continue outreach efforts with industry groups.

- The TMPG then discussed market developments, including the recent stabilization in risk assets, FOMC communications, and market expectations for future policy. Members briefly discussed the CME outage that occurred on February 26.³ It was noted that, similar to the BrokerTec outage in January, this outage had limited impact due to the timing of the event. Members remarked that if the outage had occurred at a different time, the ramifications could have been very different. Members reiterated the importance of evaluating dependencies on critical-service providers, evaluating contingency plans, and building redundancy in their systems, and they suggested strengthening the text for the related proposed best practice being developed as part of the clearing and settlement work.
- Next, the chair of the clearing and settlement working group discussed a revised draft of proposed best practice guidance developed by the working group to address risks identified in the TMPG [White Paper](#) published last July. Members also discussed a draft note that would accompany the group's proposed best practices that describes certain clearing and settlement issues that are outside the remit of group's best practice recommendations and where the TMPG believes a further review by public- and private-sector stakeholders other than the TMPG is warranted. The working group chair requested that members provide feedback on the draft note and draft recommended best practices to the TMPG Secretariat.
- The chair of the working group on UMBS discussed a draft TMPG note that reminds market participants to be particularly mindful of existing TMPG best practices as the market transitions to UMBS under the Federal Housing Finance Agency (FHFA) Single Security Initiative.⁴ The note advises market participants to exercise due vigilance and oversight over activities and highlights certain existing best practice recommendations, such as those related to promoting liquidity and transparency, maintaining robust controls, and managing large positions with care during the transition period. TMPG members reviewed the note and agreed to publish it after feedback was incorporated.
- The next TMPG meeting is scheduled to take place on April 16, 2019, from 3:00-5:00 PM.

³ It was reported that electronic trading across CME Group's futures markets (CME Globex) halted due to a technical problem for three hours on February 26 from a little after 7:30 p.m., impacting futures trading for all asset classes. CME Globex reopened at 10:45 p.m., after which trading proceeded normally.

⁴ The TMPG subsequently [published](#) a note encouraging market participants to be particularly attentive to TMPG best practice recommendations during the transition to UMBS.