

TMPG Meeting Minutes

October 16, 2014

TMPG attendees

Art Certosimo (BNY Mellon)	Jim Hraska (Barclays)	Murray Pozmanter (DTCC)
Julia Coronado (Graham Capital)	Gary Kain (American Capital Agency)	Gerald Pucci (Blackrock)
Jim DeMare (BAML)	Vincent Legroux (Banque de France)	Stu Wexler (ICAP)
Dan Dufresne (Citadel)	Steve Meier (State Street)	Tom Wipf (Morgan Stanley)
Brian Egnatz (HSBC)	Sandra O'Connor (J.P. Morgan Chase)	

FRBNY attendees

Michelle Ezer	Lorie Logan	Susmitha Thomas
Joshua Frost	Anna Nordstrom	Janine Tramontana
Christina Getz	Simon Potter	Nate Wuerffel
Frank Keane	Ernst Schaumburg	

- The meeting commenced with members reviewing and agreeing to [2015 TMPG meeting dates](#).
- The TMPG then discussed recent market developments, including money market activity and Treasury market function over quarter end, expectations for the October FOMC meeting, and the market volatility witnessed on October 15. Regarding the events of October 15, members discussed a number of possible drivers that may have contributed to the large price swings and heightened volatility observed that day. Possible drivers discussed included large scale repositioning by leveraged investors, activities of electronic trading algorithms, and dealer balance sheet and risk management constraints. Members concluded that more time would be needed to fully understand the day's events.
- The TMPG then received an update from a working group formed to conduct a review of high-speed electronic trading in TMPG covered markets. Working group members discussed potential risks of high-speed electronic trading identified by the group, such as operational risks to market participants and risks to broader market function. The TMPG suggested that the working group aim to better understand the events of October 15 and evaluate whether the events would be an appropriate case study for the TMPG's potential white paper on high-speed electronic trading in TMPG covered markets. The working group noted that it was in the process of reviewing relevant trading practice recommendations published by trade associations.
- The TMPG then received an update from a working group formed to study the use of reference rates relevant to TMPG covered markets. Working group members noted progress on its reference rate case studies for the fed funds open, 10:00 a.m. repo rate averages, and aggregate bond indices, and added that these discussions included various

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topics including issues related to orders executed at market close, such as fiduciary responsibilities of asset managers and pricing of risk for such transactions.

- TMPG members then reviewed summary statistics related to its [agency MBS margining recommendation](#), which reflected continued progress with operationalization of this recommendation. As of October 10, 2014, TMPG member firms had, on average, executed margining agreements with roughly 65 percent of their counterparties. The executed agreements covered roughly 85 percent of TMPG member firms' notional trading volume (excluding centrally cleared trades), and margin exchange had been operationalized for roughly 80 percent (an increase of roughly 10 percent from previously reported statistics) of the executed agreements.
- Members then discussed potential future TMPG priorities. The current focus on high-speed electronic trading and the use of reference rates in TMPG covered markets were identified as continuing priorities. In addition, members noted that it would be useful to assess the impact of regulatory changes on TMPG covered markets, and better understand the Federal Housing Finance Agency's [proposed structure of a single security](#) to be issued and guaranteed by Fannie Mae or Freddie Mac. Members also noted that the TMPG should continue to monitor the impact of FINRA's proposed changes to [Rule 4210 for Transactions in the TBA Market](#), support industry contingency planning initiatives for financial market crises, and participate in ongoing tri-party repo reform efforts. It was also noted that the TMPG should continue to periodically assess the appropriate level of the recommended level of the Treasury and MBS fails charge rates.
- The next TMPG meeting will take place on Wednesday, November 19, from 4:00-6:00 PM.