

TMPG Meeting Minutes

February 9, 2021

TMPG attendees

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| Alberto Antonini (Tudor) | Ari Kavour (Wells Fargo) | Ryan Sheftel (GTS) |
| David Finkelstein (Annaly) | Edward McLaren (Bank of America) | Marc Seidner (PIMCO) |
| Doug Friedman (Tradeweb) | Priya Misra (TD Securities) | Casey Spezzano (NatWest) |
| Kourtney Gibson (Loop) | Jerry Pucci (BlackRock) | Gemma Wright-Casparius (Vanguard) |
| Rob Huntington (Credit Suisse) | Rasmus Rueffer (ECB) | |

New York Fed attendees

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| Frank Keane | Matthew Raskin | Kyle Watson |
| Lorie Logan | Brett Rose | Nate Wuerffel |
| Matt Milroy | Janine Tramontana | Timothy Wessel |
| Rania Perry | | |

U.S. Department of Treasury attendees

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| Fred Pietrangeli | Nicholas Steele | Brian Smith |
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- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.
- The TMPG meeting commenced with the New York Fed counsel reviewing the New York Fed's [Antitrust Guidelines for Members of the Federal Reserve Bank of New York's Advisory and Sponsored Groups](#) ("Guidelines"). She instructed members to share the Guidelines with any colleagues from their institutions who work on TMPG matters, and noted that TMPG members should raise any concerns about anticompetitive conduct either directly to New York Fed staff or through the Bank's integrity hotline (1-877-52-FRBNY or 1-877-523-7269). She also highlighted, as in previous years, the appropriate role of best practices and market conduct recommendations, and reminded members to consider the legal and reputational harm that any anticompetitive conduct would cause to the TMPG or the New York Fed.¹
- New York Fed staff then noted that SIFMA's 2021 U.S. holiday schedule includes [one change](#) from standard practice: on Friday, April 2, 2021 (Good Friday), there will be an early close recommendation for fixed income markets at 12:00 p.m. EDT, due to the U.S. Bureau of Labor

¹ Following the meeting, members affirmed to the TMPG secretariat that they acknowledged the New York Fed's [antitrust guidelines](#) and the TMPG [charter](#).

Statistics Employment Situation [release schedule](#).^{2,3} TMPG members were asked to let the TMPG Secretariat know whether they anticipated any operational or market functioning issues stemming from this recommendation.⁴

- The TMPG meeting then transitioned to a discussion of market developments since the November TMPG meeting. Members discussed expectations for longer-term U.S. Treasury yields, their outlook for funding markets, and their outlook for mortgage markets.
 - Members noted that longer-term Treasury yields have risen given the strength of the recovery, progress on vaccines, and expectations for a larger fiscal package than had previously been expected. However, several members stated that supply from a fiscal package had not yet been fully priced in and that they expected real yields to increase, and swap spreads to narrow, as expectations for the ultimate fiscal package size solidify.
 - Members cited large reserve balances and the expectation for reserve balances to grow in 2021 as driving expectations for short-term rates to remain relatively low for the foreseeable future.
 - Members noted that they view the housing market as remaining strong, as MBS spreads remain at cycle tight and liquidity in secondary markets continues to be robust. Looking to the year ahead, members noted that they expected demand for MBS assets to remain high. It was noted that this might impact liquidity by reducing the supply of bonds available to trade.

- Following the discussion on market developments, the chairs of the repo clearing and settlement working group and the data and transparency working group provided updates on progress made in their respective areas over the intermeeting period.
 - Repo clearing and settlement: The working group chair noted that, over the TMPG intermeeting period, members restarted the previously paused effort to map the clearing and settlement landscape for Treasury and Agency MBS funding markets and to seek to identify risks, resiliency issues, or other concerns. It was noted that mapping for the core triparty market is nearing completion, and that the working group will next map the uncleared bilateral repo market followed by: General Collateral Finance (GCF), FICC Delivery-versus-Payment (DVP) and sponsored repo market, offshore triparty and securities lending. The maps aim to capture messaging flows, payment flows,

² SIFMA’s standard recommendation would be an early close on the Thursday before Good Friday.

³ The Open Market Trading Desk at the Federal Reserve Bank of New York has released statements regarding [open market desk operations](#) on Thursday, April 1, 2021 and the [publication of reference rates](#) on Friday, April 2, 2021.

⁴ Following the meeting, members reported to the TMPG secretariat that they did not anticipate any operational or market functioning impact resulting from this recommendation.

movements of collateral, and counterparty exposure, and to provide some dimensioning of an adverse scenario analysis. Members discussed two points:

- The change to the scope from last year to include an emphasis on identifying adverse scenarios (e.g., what happens if there is a credit event in the process, or what if a key provider has a prolonged outage).
 - Additional market participant types not currently involved in the working group that could add insight.
- Data and transparency: The working group chair noted that, over the TMPG intermeeting period, members kicked off a working group tasked with discussing conceptual improvements in data transparency in covered markets. The working group chair noted the group would first catalogue data currently available in Treasury markets before considering whether there is scope for consideration of any practice guidance or recommendations in this area. The working group agreed to first inventory available Treasury futures market data before turning to Treasury cash and financing markets. Members also discussed whether additional market participant types not currently involved in the working group could add insight.
- The TMPG vice chair then led a discussion around the group’s list of current, ongoing, and potential future priorities (see Appendix). It was noted that the document is a living document and that the group plans to review and update it on a regular basis going forward (e.g., quarterly).
 - The TMPG secretariat then reviewed summary statistics related to its [agency MBS margining recommendation](#). The TMPG secretariat noted that over the three-month period ended December 15, 2020, TMPG member firms had, on average, executed margining agreements with about 72 percent of their counterparties. These agreements covered approximately 86 percent of notional trading volume of forward-settling MBS transactions (excluding those centrally cleared), and margin exchange was operationalized for roughly 98 percent of these executed agreements. Members were informed that the statistics for each period were roughly in line with recent averages, and small changes can be mostly attributed to changes in the composition of respondents.
 - The next regularly scheduled TMPG meeting will take place on March 23, 2021, from 3:00-5:00 PM.

APPENDIX: TREASURY MARKET PRACTICES GROUP PRIORITIES

This document outlines current and ongoing TMPG priorities and provides a running list of potential future topics for group discussion.

Current Priorities

- Map the clearing and settlement landscape for USD repo, to understand the market structure and how it has evolved in recent years. Then analyze maps to identify risks, resiliency issues, and consider whether deliverables such as revisions to TMPG best practices or a whitepaper are warranted.
- Create an inventory of existing Treasury market data, including providers and sources. Then analyze the data landscape and consider whether additional data could contribute to improved Treasury market structure and resiliency.

Ongoing Priorities

- 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.
- Continue to monitor and analyze market liquidity dynamics in TMPG covered markets.
- Continue to promote best practices for two-way margining of forward-settling MBS transactions and track market and regulatory developments in that area.
- 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.
- Continue to follow trends related to the growth of electronic trading and other market structure dynamics, and assess the impact on liquidity and resiliency in the secondary market for Treasury securities.
- Periodically evaluate the structure and applicability of the existing best practices document to maintain relevance.

Potential Future Topics for Discussion (in alphabetical order)

- Automated trading practices and their evolution
 - Assess the landscape of trading protocols in the secondary market for Treasury securities.
- Business continuity and resiliency
 - Discuss continuity risks in the context of key service providers.
- Intermediation capacity/constraints
 - Discuss and assess the various factors that impacted intermediation challenges during the pandemic.
- Market structure
 - Monitor work related to central clearing, all-to-all trading, and the transition from LIBOR to SOFR. Monitor developments in environmental, social, and governance (ESG) standards that relate to TMPG covered markets.
- Work-from-home plans
 - Study lessons learned from the remote work environment during the pandemic.