

TMPG Meeting Minutes

February 15, 2022

TMPG attendees

Alberto Antonini (Tudor)	Ari Kavour (Wells Fargo)	Rasmus Rueffer (ECB)
Sunil Cutinho (CME Clearing)	Edward McLaren (Bank of America)	Carolyn Sargent (Morgan Stanley)
David Finkelstein (Annaly)	Priya Misra (TD Securities)	Marc Seidner (PIMCO)
Doug Friedman (Tradeweb)	Andrea Pfenning (BNY Mellon)	Casey Spezzano (NatWest)
Paul Hamill (Citadel Securities)	Thomas Pluta (JP Morgan)	Ryan Sheftel (Global Trading System)
Deland Kamanga (BMO)	Murray Pozmanter (DTCC)	
	Jerry Pucci (BlackRock)	

New York Fed attendees

Chris Burke	Rania Perry	Kyle Watson
Veronika Jastrzebski	Brett Rose	Nate Wuerffel
Frank Keane	Janine Tramontana	Matt Raskin
Lorie Logan		

U.S. Department of Treasury attendees

Adam Cook	Fred Pietrangeli	Brian Smith
Joshua Frost	Nicholas Steele	

SIFMA Working Group attendees

Eric Birenberg (JP Morgan)	Gary Cushman (JP Morgan)	Stephanie Keppenne (BNY Mellon)
Chris Butler (BNY Mellon)	Charles De Simone (SIFMA)	

- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.
- The meeting commenced with a [presentation](#) by staff from the U.S Department of the Treasury's Office of Financial Research (OFR) describing a pilot program to collect uncleared bilateral repo data. In addition to describing existing transparency gaps in the uncleared bilateral data market compared to other U.S. repo market segments, a staff member from OFR outlined efforts to improve data collection through the pilot program and an upcoming outreach plan. The pilot program intersects with two of the TMPG's [ongoing working groups](#): clearing and settlement of Treasury market secured financing transactions, and Treasury market data and transparency.
- Representatives from SIFMA's ACAP working group [presented](#) on the expansion of the Fedwire Securities Service Automated Claims Adjustment Process (ACAP) tracking and payment services for all coupon-paying securities on the Service. The representatives emphasized the potential

benefits of this voluntary service to market participants, the importance of widespread adoption, and some of the risks to implementation. The TMPG was asked to consider the implications of this new voluntary service for the TMPG-covered markets.

- New York Fed counsel reviewed the [Antitrust Guidelines for Members of the Federal Reserve Bank of New York's Advisory and Sponsored Groups](#).¹
- Next, the TMPG representative from NatWest summarized the recent orders and remediations related to the firm's illegal spoofing in U.S. Treasury markets. The chair noted the TMPG's previous work on manipulative practices, including work done in connection with the committee's [2015 white paper on automated trading](#), and reiterated the importance of adhering to best practice recommendations and conducting all activities in accordance with law and regulation in order to maintain the integrity and efficiency of the markets covered by the TMPG.
- Members then transitioned to a discussion of market developments since the [November TMPG meeting](#). They discussed their outlook on the path of monetary policy, expectations for the central bank balance sheet, market functioning, and recent market structure developments.
 - o TMPG members discussed monetary policy developments and shifts in communications and expectations over recent months, and the implications of those shifts for the path of short-term interest rates. Members cited the reassessment of policy expectations as contributing to higher market rates and increased volatility over recent months.
 - o With regard to balance sheet expectations, most members expected that the Fed's balance sheet would begin to decline in mid-2022 under a set of runoff caps, similar to those used in the last period of balance sheet normalization. A few noted their view that caps would likely be larger and reach their peak monthly pace more quickly when compared to the prior period. However, until more details were known about the runoff plans, members expressed some uncertainty about the likely impact on TMPG-covered markets. Several members also noted that continued transparency around balance sheet plans would support market functioning.
 - o Members generally characterized Treasury and MBS market liquidity as worsening since the beginning of the year, as measured by indicators like bid-ask spreads and market depth. However, most saw the deterioration in liquidity metrics as in-line with recent increases in interest rate volatility. Members partially attributed the recent repricing of

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

MBS spreads to rapid shifts in supply and uncertainty around risks related to balance sheet runoff. Some also noted potential market expectations for sales of MBS from the Fed's portfolio at some point in the future, although such sales were not viewed as the base case scenario for balance sheet normalization.

- Members briefly discussed two recent regulatory developments related in part to certain issues the TMPG has explored in the past, including an SEC proposal to address, among other things, gaps in the regulation of platforms trading government securities, and FINRA rulemaking that would require its members to establish margin requirements for transactions in agency MBS transactions.²
 - o A New York Fed representative also provided an update around the [GFXC's guidance](#) on last look, noting the recent disclosures by liquidity providers in foreign exchange markets on their "last look" protocols. Members were asked to reconsider whether last look or similar practices were prevalent in covered markets and if it would be prudent for the TMPG to better understand these practices.
- The working group on [Clearing and Settlement Practices for Treasury SFTs](#) was asked to continue its work on identifying potential risk and resiliency issues, and considering any potential best practice recommendations. Similarly, the [Treasury Market Data and Transparency working group](#) was asked to continue cataloguing Treasury market data and identifying whether there are additional opportunities for improving transparency and best practice guidance. The TMPG chair also asked members to provide feedback on the group's current, ongoing, and potential future [priorities](#) for further discussion at the next meeting.

² The TMPG has [recommended](#) that public- and private-sector stakeholders conduct a review of whether the regulation and oversight of market participants and trading venues remains fit for purpose and has recommended best practices for [margining forward settling agency MBS transactions](#).