TMPG Meeting Minutes

Date: June 24, 2025

Location: BlackRock, 50 Hudson Yards

TMPG attendees

Alberto Antonini (Tudor Investment Corp)
Richard Chambers (Goldman Sachs)
Qing Chen (Morgan Stanley)
Debbie Cunningham (Federated Hermes)
David Finkelstein (Annaly Capital Mgt)
Matthew Franklin-Lyons (JP Morgan)
Doug Friedman (Tradeweb)
Lara Hernandez (Mirae Asset Sec)
Makoto Kasai (Bank of Japan)
Laura Klimpel (DTCC)
Serena Lin (Mizuho Securities)
Adam Nunes (Hudson River Trading)
Jerry Pucci (BlackRock)
Marc Seidner (PIMCO)
Casey Spezzano (NatWest Markets)
Suzanne Sprague (CME Group)
Nathaniel Wuerffel (BNY)

Federal Reserve Bank of New York (New York Fed) attendees

Ellen Correia Golay
Julie Hennighausen
Vinuthna Kovvuri
Eric Lewin
Anna Nordstrom
Roberto Perli
Brett Rose
Agata Zhang

U.S. Department of Treasury attendee

Brian Smith

Board of Governors attendee

David Bowman

- The meeting commenced on an administrative note, with a New York Fed representative welcoming Julie Hennighausen as a new ex-officio member to the TMPG. Next, the TMPG Secretariat provided a brief update on the semiannual collection of forward settling agency MBS margining statistics. It was noted that this margining data collection will be discontinued going forward, as the initial intent and the primary benefits have been achieved.

- The Chair referenced the May 21st Bloomberg Terminal outage, noting that although it was brief, it exemplified the types of service disruptions recently considered by the TMPG's Operational Resiliency Working Group. Members then highlighted a few additional market resiliency issues, including vendor capacity issues observed during volatility periods related to tariffs and ongoing capacity issues around month-end and quarter-end needs, among other examples. The Chair reiterated the need for market participants to review their internal procedures around planning for a potential lack of access to service providers and to ensure they are aligned with the TMPG's *Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets*.

- Members shared their views on how the new best practice recommendation for the U.S. Treasury repo risk management is being received in the market as well as their general impression of how the market is moving towards implementation. Members commented that the market response to the guidance has been positive, given both the emphasis on a broad approach to enhancing risk management standards and the lengthy implementation timeline. Members then proceeded with an update on the outreach efforts undertaken to further encourage broader market adoption. The Vice Chair provided an overview of recent engagement with the public on the new best practice, noting the public communication was focused on the final TMPG white paper *Non-Centrally Cleared*

Bilateral Repo and Indirect Clearing in the U.S. Treasury Market: Focus on Margining Practices, the associated recommended *Best Practices for Treasury Repo Risk Management*, and the implementation timeframe. A New York Fed representative then recapped a presentation given to the Bank of Canada's Collateral Infrastructure and Market Practices Advisory Group. It was also noted that the Head of the New York Fed Markets Group highlighted the Treasury repo best practice in her remarks at the International Swaps and Derivatives Association's Treasury Forum.

- The TMPG then turned to a discussion of market developments since the May TMPG meeting, including the U.S. economic outlook, member expectations for the path of the policy rate, Treasury market outlook, and money market conditions.

U.S. Economic Outlook and Expectations for the Path of Policy Rate

- Members were attentive to a wide range of factors influencing financial markets in recent weeks, including economic data, fiscal developments, U.S. trade uncertainty, and geopolitical uncertainty, among others. In particular, members noted a decline in Treasury yields amid weaker than expected data releases.
- There was consensus among members that the market interpreted the policy stance at the June FOMC as taking a wait and see approach. With respect to expectations going forward, members noted that the effects of tariffs are expected to remain a key source of uncertainty for monetary policy. Some members expressed their own expected path of policy rates was shallower than the Summary of Economic Projections dots, as they anticipate inflation from tariffs will likely only be a one-time bump. Others noted that an interest rate cut in July could be a possibility, although they would expect a meaningful split in stances between the FOMC members.

Treasury Market Outlook

- Members were attentive to significant steepening in the Treasury yield curve over the course of this year, while noting the steepening was more contained since the last TMPG meeting. Members also highlighted an increase in real yields amid a shift in market attention from tariffs to fiscal developments, despite some continued trade policy uncertainty. Members further attributed the increase in real yields despite a decline in recent growth forecasts, due to a rise in real-term premium as Treasury supply continues to increase.
- Some members expressed anticipation surrounding the private sector's role in absorbing Treasury supply going forward, noting that the steep Treasury yield curve may encourage that buying. Members also noted that Treasury demand is more robust relative to foreign bonds, such as European or Japanese government bonds.
- Members also discussed the impact of potential deregulation on the Treasury Market. They agreed that amending the Supplementary Leverage Ratio (SLR) and enhanced SLR would free up dealer balance sheets and, depending on how that additional balance sheet capacity is deployed, may improve intermediation in repo markets.
- Finally, members were attentive to the imminent "X-date" for the U.S. debt ceiling as an important watchpoint for front-end markets and discussed their expectations for quantitative tightening to end in March of 2026. Members also suggested that as interest rates go down, there will be higher agency MBS prepayments, which will lead to more runoff.

Money Market Conditions

- Members discussed their expectations for month-end and quarter-end conditions in funding markets. Members agreed that the Treasury repo market has been functioning smoothly in recent weeks, and they expect softness in funding markets to persist for most of the summer.
- Members then discussed the addition of daily morning Standing Repo Facility (SRF) operations. While members broadly view the additional SRF operations to be beneficial for funding markets, they expected that the SRF was unlikely to be used over the June quarter-end, given ample liquidity in the system. Members also predicted limited SRF usage in September, but noted some potential for use, although not sustained, in December, as pressure in funding markets is expected to increase. Members then highlighted previously discussed hurdles that they perceive as limiting SRF use, such as continued stigma around SRF use, SRF transactions not being centrally cleared, and the limited eligibility across counterparties. Members then recommended the official sector encourage market participants to use the SRF when economically viable, rather than use it as a backstop alone.

− The next TMPG meeting is scheduled for October 7, 2025, from 3:00-5:00 PM.