TMPG Meeting Minutes

October 19, 2021

TMPG attendees

Alberto Antonini (Tudor)
Deborah Cunningham (Federated Hermes)
Sunil Cutinho (CME Clearing)
David Finkelstein (Annaly)
Doug Friedman (Tradeweb)
Kourtney Gibson (Loop)
Paul Hamill (Citadel Securities)
Ari Kavour (Wells Fargo)
Edward McLaren (Bank of America)
Priya Misra (TD Securities)
Andrea Pfenning (BNY Mellon)
Thomas Pluta (JP Morgan)
Murray Pozmanter (DTCC)
Jerry Pucci (BlackRock)
Rasmus Rueffer (ECB)
Carolyn Sargent (Morgan Stanley)
Marc Seidner (PIMCO)
Ryan Sheftel (GTS)
Casey Spezzano (NatWest)
Gemma Wright-Casparius (Vanguard)

New York Fed attendees

Chris Burke
Adam Copeland
Alex Cohen
Michael Fleming
Veronika Jastrzebski
Frank Keane
Lorie Logan
Matt Milroy
Anna Nordstrom
Rania Perry
Brett Rose
Janine Tramontana
Nate Wuerffel

U.S. Department of Treasury attendees

Joshua Frost
Fred Pietrangeli
Nicholas Steele
Brian Smith

Foreign Exchange Committee attendees

Chris Vogel (TD Securities)

- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.

- The meeting commenced with the chair of the Foreign Exchange Committee (FXC), a New York Fed-sponsored industry group, providing an update on the Global Foreign Exchange Committee's (GFXC) three-year review of the FX Global Code. In addition to covering some of the key updates to the Code, the chair noted that the GFXC published guidance papers on the roles of last look and pre-hedging within the FX market and that discussion around these topics would continue.

- Members then transitioned to a discussion of market developments since the September TMPG meeting. They discussed their economic outlooks, thoughts on inflation, asset purchases, and monetary policy more broadly.
    - There were generally consistent views on these topics within the group, with members viewing recent higher inflation prints as likely to be transitory for a longer period of

time. The view that higher inflation may persist was attributed to a swath of higher inflation and growth prints around the world. However, one member expressed concerned that inflation pressures had become less transitory.

  - Regarding monetary policy, members noted that market expectations continue to appear nearly fully priced in for an asset purchase taper announcement and start sometime in late 2021 or early 2022. Relatedly, members generally indicated expectations for the first interest rate hike to occur in 2023, though one member noted that if inflation were to persist at an elevated level, they would expect the first hike to shift into the end of 2022.

- Members then discussed the TMPG white paper "Operational Plans for Various Contingencies for Treasury Debt Payments," originally published in 2013. As part of this discussion, a New York Fed staff representative from the FedWire® Security Service reviewed some operational features of the service, as outlined in the TMPG white paper. In particular, the representative highlighted the process and timeline that could be used to delay payments on Treasury securities by rolling forward (or extending) the operational maturity date, if instructed by the U.S. Treasury, in order to maintain the ability to transfer such securities over Fedwire®.

  - Considering the recent focus on this topic, the TMPG agreed to form a working group to revisit the white paper and update the document, where necessary. Members suggested a few potential areas to update, including the terminology used to describe securities that are subject to delayed or otherwise untimely Treasury debt payments. Members noted that there are differences in the terms and definitions used to describe these securities across the various references in the public domain, and that greater consistency and common language would improve communication and contingency planning. Additionally, members noted several other areas in the white paper that would benefit from modest updates or clarifications.

- The chair of the working group on clearing and settlement practices for U.S. Treasury secured financing transactions (SFTs) presented an update on the group's progress, providing an overview of the full set of SFT clearing and settlement maps and an accompanying summary note. It was noted the draft maps illustrate current clearing and settlement processes for SFTs under different scenarios and across different segments of the market. Like the group's work in the cash market, the draft maps show that bilateral clearing and settlement processes are not uniform across market participants and are less transparent than central clearing and settlement processes. These more bespoke bilateral clearing and settlement processes may reflect differences in the level of understanding among market participants of the risks of SFT clearing and settlement. The group will now begin the process of identifying potential risk and resiliency issues in the SFT clearing and settlement process.

- The chair of the Treasury market data and transparency working group also shared a progress update, providing an overview of the full Treasury data catalogue and an accompanying summary note. It was noted that, while the TMPG has not completed a full assessment of the draft catalogue, the available data is informative about differences in market structure across products and resulting differences in the level and homogeneity of data availability. The group will continue building out the catalogue before identifying whether there are recommendations for improving transparency or best practice guidance.

- The TMPG secretariat then reviewed summary statistics related to its agency MBS margining recommendation. Over the six-month period ended September 15, TMPG members had, on average, executed margining agreements with about 78 percent of their counterparties for the second quarter of 2021, and about 72 percent for the third quarter. These agreements covered approximately 90 and 86 percent, respectively, of notional trading volume of forward-settling MBS transactions (excluding those centrally cleared), and margin exchange was operationalized for roughly 99 percent of these executed agreements for both quarters. The statistics for each period were roughly in line with recent averages.