TMPG | Treasury Market Practices Group

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Treasury Market Practices Group Seeks Comment on Consultative White Paper and Proposed Best Practice Recommendations for U.S. Treasury Repo Risk Management

The Treasury Market Practices Group (TMPG) today released a consultative white paper *Non-Centrally Cleared Bilateral Repo and Indirect Clearing in U.S. Treasury Market: Focus on Margining Practices.* The white paper identifies several risks posed by current risk management practices in the U.S. Treasury repurchase agreement (repo) market. In light of these risks, the TMPG is proposing updates to its existing *Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets*, including recommending that, consistent with appropriate risk management of counterparty exposures, all Treasury repo should include prudent haircuts (or margin) on the value of the securities, in concert with other risk management techniques. The TMPG also released a proposed set of Frequently Asked Questions (FAQs) to provide further guidance on the recommended proposed best practices. The TMPG seeks comment on this material **by April 30, 2025.**

In 2022, the TMPG completed a study on the clearing and settlement risks of Treasury secured financing transactions, which includes both repo and securities lending transactions. Based on the risks identified in this study, the TMPG established a working group to investigate risk management practices in the Treasury repo market with a focus on the non-centrally cleared bilateral repo (NCCBR) segment. This consultative white paper and proposed best practice recommendations are the culmination of that focused effort.

The paper highlights several risk and resiliency issues related to the Treasury repo market. For repo transaction risks that are bilaterally managed, there is a lack of consistency and transparency in risk management practices. Large quantities of repos without haircuts could pose systemic risks to overall market functioning if one or more market participants were to default. Counterparties can help to mitigate these risks by imposing haircuts on these transactions. Widespread use of haircuts for Treasury repo would enhance financial system stability and support market function during periods of market stress.

"The TMPG believes that the proposed best practice recommendations on Treasury repo risk management will bolster the integrity of the Treasury market. I encourage all market participants to carefully review the white paper, the proposed best practice recommendations, including the FAQ document, and provide their feedback to the TMPG," said Casey Spezzano, Chair of the TMPG.

Members of the public may submit comments by **April 30, 2025,** to the TMPG Secretariat at tmpg@ny.frb.org. The TMPG expects to publish a final white paper, updated best practice recommendations, a recommended implementation timeline, and updated FAQs following the conclusion of this comment period.

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About the Treasury Market Practices Group

The TMPG is composed of senior business managers and legal and compliance professionals from a variety of institutions—including securities dealers, banks, buy-side firms, financial market utilities, and others—and is committed to supporting the integrity and efficiency of the Treasury, agency debt, and agency mortgage-backed securities markets. It is sponsored by, but is not part of, the Federal Reserve Bank of New York. Any views expressed by the TMPG do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System. More information is available at: www.newyorkfed.org/tmpg.

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