

## TMPG Meeting Minutes

Date: June 27, 2023

Location: Federal Reserve Bank of New York

### TMPG attendees

Alberto Antonini (Tudor)	Doug Friedman (Tradeweb)	Jerry Pucci (BlackRock)
Richard Chambers (Goldman Sachs)	Laura Klimpel (DTCC)	Carsten Schwarting (Barclays)
Deborah Cunningham (Federated Hermes)	John Madziyire (Vanguard)	Rasmus Rueffer (ECB)
Sunil Cutinho (CME Group)	Edward McLaren (Bank of America)	Marc Seidner (PIMCO)
David Finkelstein (Annaly)	Adam Nunes (Hudson River Trading)	Ryan Sheftel (Global Trading Systems)
Matthew Franklin-Lyons (JPMorgan)	Andrea Pfenning (BNYM)	Casey Spezzano (NatWest)

### New York Fed attendees

Ani Arikarevula	Frank Keane	Julie Remache
Veronika Batista	Dina Marchioni	Brett Rose
Vic Chakrian	Michelle Neal	Janine Tramontana
Ellen Correia Golay	Anna Nordstrom	
Caren Cox	Jenny Phan	

### U.S. Department of Treasury attendees

Frederick Pietrangeli	Kyle Lee
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### SIFMA attendees<sup>1</sup>

Robert Toomey	Tom Price
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### Office of Financial Research attendees<sup>2</sup>

Sriram Rajan	Robert Mann
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- The meeting commenced on an administrative note, with the Vice Chair recognizing the contributions of departing TMPG member Priya Misra, whose membership recently ended. The Vice Chair also welcomed new TMPG member Matthew Franklin-Lyons of JP Morgan.
- A New York Fed representative noted that Rania Perry and Veronika Batista will no longer participate in the TMPG and thanked them for their participation. The New York Fed representative introduced Ellen Correia Golay as a new TMPG ex-officio member and Ani Arikarevula as a new member of the Secretariat.
- Following the administrative announcements, two SIFMA representatives provided an overview of progress on its U.S. Treasury Market Post-Trade Resiliency Planning work and draft Post-Trade Resilience Planning Playbook, which was shared with TMPG members prior to the meeting. SIFMA

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<sup>1</sup> SIFMA attendees left the meeting following the U.S. Treasury Market Post-Trade Resiliency Planning presentation.

<sup>2</sup> OFR attendees left the meeting following Non-Centrally Cleared Bilateral Repo presentation.

representatives outlined their preparedness work for a scenario where a clearing bank supporting the Treasury market experiences an outage (lasting more than one business day) of its critical settlement and tri-party repo functionalities. In this scenario, primary market, secondary market, and tri-party repo transactions cannot settle as originally planned. For this contingency, members raised concerns around impaired liquidity due to cash and collateral immobility as well as multiple day outages. In response to questions from members, SIFMA representatives confirmed that the scenario assumptions do not include official sector official sector policy, regulatory, or financial intervention, beyond regular course of business activities, such as the availability of the Federal Reserve's discount window for eligible market participants with eligible collateral. Members suggested SIFMA consider potential recommended action to extend the maturity of trades. Members were asked to bilaterally share any additional feedback on the draft playbook with SIFMA.

- The TMPG then welcomed two representatives from the Office of Financial Research (OFR) who shared a presentation titled, "Why is so much repo not centrally cleared?" The presentation (based on analysis associated with a pilot OFR data collection on bilateral repo conducted using sample data from June 2022) concluded that the vast majority of non-centrally cleared bilateral repo trades are conducted by hedge funds using Treasury collateral, over 70 percent occur at zero haircut, and are often longer-tenor than overnight. The OFR representatives noted that the data suggests that the main reasons participants use non-centrally cleared bilateral repo are due to flexibility in haircuts (which are bespoke to customers and often set a zero) and ability to borrow and lend over longer tenors.
- The chair of the Early Funding Market Trading Working Group provided an update on the Group's progress, focusing on its finalized workplan. Meetings will be scheduled with certain market participants to identify any existing technical or other limitations to displaying trades at time of execution and whether clarification of TMPG recommended best practices is needed.
- The co-chairs of the Non-Centrally Cleared Bilateral Repo Risk Management Working Group provided an update on the Group's progress. The update focused on a draft workplan and efforts to finalize a list of firms to survey. The survey will include questions on data availability and risk management practices for transactions in the non-centrally cleared bilateral repo market, with the aim of understanding the range of risk management practices (taking into account margin practices and other risk management approaches).
- The Group then turned to a discussion of recent market developments, in particular Treasury bill issuance dynamics since the resolution of the debt ceiling and macroeconomic conditions that may influence the path of policy rates.
  - o TMPG members discussed the recent Treasury bill issuance to rebuild the Treasury General Account (TGA). Members observed that additional Treasury issuance has had positive impacts on market liquidity and increased bill issuance has led to some diversification away from the overnight reverse repo (ON RRP) facility. One member expressed the perspective

that the observed decline in the ON RRP facility strengthened the transmission of monetary policy and alleviated their concerns around reserve drains.

- Members largely agreed that markets were functioning well and financial conditions were stable. As growth continues to moderate and inflation is expected to remain sticky, members remained cautious of potential headwinds, including potential residual impact from the regional banking dislocation and balance sheet risks. Members also noted that international developments and elevated housing costs will continue to influence the persistence of inflationary pressures.