

## TMPG Meeting Minutes

May 10, 2022

### TMPG attendees

Alberto Antonini (Tudor)	Kourtney Gibson (Loop Capital)	Murray Pozmanter (DTCC)
Deborah Cunningham (Federated Hermes)	Paul Hamill (Citadel Securities)	Jerry Pucci (BlackRock)
Sunil Cutinho (CME Clearing)	Ari Kavour (Wells Fargo)	Rasmus Rueffer (ECB)
David Finkelstein (Annaly)	Priya Misra (TD Securities)	Carolyn Sargent (Morgan Stanley)
Doug Friedman (Tradeweb)	Thomas Pluta (JP Morgan)	Marc Seidner (PIMCO)

### New York Fed attendees

Christian Cabanilla	Lorie Logan	Brett Rose
Adam Copeland	Rania Perry	Janine Tramontana
Veronika Jastrzebski	Jenny Phan	Kyle Watson
Frank Keane	Matt Raskin	Nate Wuerffel

### U.S. Department of Treasury attendees

Joshua Frost	Brian Smith	Nicholas Steele
Fred Pietrangeli		

- Due to the coronavirus pandemic, the TMPG meeting was held as a hybrid meeting, with members attending both in-person and via videoconference.
- The meeting commenced on an administrative note regarding logistics of future hybrid meetings and annual member calls scheduled to take place in the upcoming weeks. A New York Fed representative welcomed Jenny Phan as the new TMPG Secretary, and thanked Kyle Watson for his interim contributions to the secretariat staff.
- Members then transitioned to a discussion of market developments since the [March TMPG meeting](#). The group discussed the economic growth outlook, policy expectations, and views on liquidity and market functioning conditions.
  - o Members noted that market expectations for higher policy rates, alongside announced plans for quantitative tightening, could slow economic activity, while continued supply chain shortages and the war in Ukraine were seen as headwinds to the longer-term normalization of inflation. Members partially attributed the continued increase in real yields, despite a worsening growth outlook, to expectations for less accommodative monetary policy.

- Against the backdrop of these uncertainties, members discussed recent volatility in financial markets and sudden shifts in correlations across asset classes, amid lower market depth and weaker liquidity conditions in TMPG-covered markets. Although members described broader Treasury and agency MBS markets as functional, they noted that recent moves had kept potential structural fragilities front of mind.
- Members also noted the continued widening of MBS spreads, which were attributed to historic increases in mortgage rates along with increased near-term uncertainty and volatility. Looking ahead, some members viewed sales of MBS from the Federal Reserve’s SOMA portfolio as likely to occur in the future as a part of balance sheet normalization, but did not think sales would begin until sometime after 2022. It was noted higher mortgage rates had removed most convexity from SOMA MBS holdings, and as such, potential SOMA MBS sales might require increased demand from a more specific set of MBS end investors seeking longer-duration exposures.
- Finally, members also discussed the recent softness in short-term interest rates given high levels of system liquidity and the desire for investors to shorten the weighted average maturity (WAM) of their portfolios. It was noted that expected Treasury GC rates may to continue to trade below ON RRP with some frequency in the near term.
- There was a brief discussion in other areas of market functioning, including an overview of the 4-5 hour disruption of a Brokertec repo brokerage platform on April 11, 2022, which resulted in a temporary suspension of trading in the firm’s U.S. repo market product. The member from CME Group noted that the disruption had been the result of a system technical error, which was resolved. Following the discussion, the Chair highlighted the TMPG’s best practices regarding market preparation for a potential lack of access to service providers<sup>1</sup>. On a similar note, a TMPG member provided an update on recent efforts by SIFMA to develop an industry playbook for use in a non-standard close in Treasury markets resulting from a clearing bank outage. In addition, a representative from the U.S. Treasury Department

---

<sup>1</sup> The [TMPG best practices state](#): “Market participants should plan for a potential lack of access to service providers, critical trading venues, and clearing and settlement services, and manage the associated risk. Such preparations should include contingency plans given the loss of a key trading platform or market service provider. Market participants should, in a manner commensurate with their level of risk and volume in the market, be aware of the potential for the loss of a key trading platform or market service provider; understand the contingency plans of their trading platforms and service providers; and develop their own contingency plans, contemplating the broader market loss of a trading platform or service provider.”

highlighted Treasury's recent announcement that it will be issuing a Request for Information on additional public transparency for secondary market transactions of Treasury securities, including the potential benefits and risks.<sup>2</sup>

- Lastly, members discussed the impact that rising rates would have on the TMPG recommended settlement fails charge after implementing calculation changes in 2018. For fails in Treasury and agency debt securities, the TMPG recommends that a settlement fails charge be calculated each day based on the greater of (a) 3 percent per annum minus the TMPG reference rate (or the target level for the federal funds rate), and (b) zero. When the TMPG reference rate is greater than or equal to 3 percent under the current formula, there will be no explicit financial charge for failing, and under this formulation the fails charge will be capped at 3 percent per annum.<sup>3</sup>
- The working group on [Clearing and Settlement Practices for Treasury Secured Financing Transactions](#) led a discussion of risks related to SFT clearing and settlement activities and provided an update on next steps regarding a draft white paper. Similarly, the [Treasury Market Data and Transparency working group](#) summarized next steps, including a literature review on existing gaps in data and transparency, and plans to draft a white paper in the coming months.

---

<sup>2</sup> Treasury's Request for Information was issued subsequent to the May TMPG meeting. More information on the RFI can be found [here](#).

<sup>3</sup> See [Frequently Asked Questions: TMPG Fails Charges](#) for more information.