

TMPG Meeting Minutes

November 2, 2015

TMPG attendees

Zahir Antia (Bank of Canada)	Gary Kain (American Capital Agency)	James Slater (BNY Mellon)
Julia Coronado (Graham Capital)	Steven Meier (State Street Global Advisors)	Mark Tsesarsky (Citigroup)
James DeMare (BAML)	Sandra O'Connor (JPM)	Stuart Wexler (ICAP)
Beth Hammack (Goldman Sachs)	Murray Pozmanter (DTCC)	Thomas Wipf (Morgan Stanley)
James Hraska (Barclays)	Gerald Pucci (Blackrock)	

FRBNY attendees

Nashrah Ahmed	Frank Keane	Janine Tramontana
Michelle Ezer	Michael McMorrow	Nate Wuerffel
Josh Frost	Simon Potter	
Christina Getz	Brett Rose	

- The meeting commenced with confirmation of [TMPG meeting dates for 2016](#).
- The TMPG discussed recent market developments including reactions to the [October FOMC meeting and related communications](#), expected year-end liquidity conditions, market reactions to the debt-ceiling resolution, and recent dynamics in the swaps market. One member noted a reported increase in trade cancellations and corrections for tri-party repo transactions after the recommended 3:00 p.m. ET deadline.¹ Members agreed to inquire within their own firms about any observed increase in cancellations and corrections.
- Discussion turned to [The Evolving Structure of the U.S. Treasury Market](#) conference held at the New York Fed on October 20-21 and hosted by the 5 entities that published the [Joint Staff Report \(JSR\)](#) on the events in the U.S. Treasury market on October 15, 2015. The conference was the first in a series of next step recommended by the JSR. Members noted that the wide array of participants resulted in a balanced and informative dialogue. Members also highlighted the broad range of substantive material discussed at the conference, including; the costs and benefits of the growth in automated and algorithmic trading, the changing nature of market making, the management of operational risk across firm types, and evolving clearing and settlement risks. Members supported continued work toward data transparency and further exploration of clearing and settlement risks.
- The TMPG reviewed several near-final draft benchmark-related best practice recommendations developed by a working group. In particular, the group discussed a proposal related to best practices around handling of information by market participants that contribute to the setting of benchmarks. The TMPG received an update from the benchmark working group on case studies developed by the benchmark working group on select reference rates relevant to the

¹ The TMPG has previously discussed best practices, which if implemented would support more timely trade confirmations in the tri-party repo market, see [TMPG Meeting Minutes from May 22, 2013](#) and the supporting statement "[TMPG Announces Market Practice Recommendations to Support More Timely Trade Confirmation in the Tri-Party Repo Market](#)" for more information.

TMPG covered markets – specifically, the BrokerTec 10:00 a.m. Repo Averages, the ICAP Fed Funds Open and the Barclays Aggregate Bond Index. The TMPG asked the working group to continue to refine proposed updates to the best practice guidance and the case studies.

- An update was provided to members on discussions with other industry groups related to those groups’ efforts to identify suitable alternatives for the ICAP Fed Funds Open. It was noted that other industry groups have conducted initial reviews of several possible alternatives and have also considered the feasibility of pricing without using a benchmark rate.
- Next, two TMPG members presented on liquidity in covered markets from the perspective of the buy-side in a continuation of a series of presentations on the topic. Members discussed a range of potential factors that may alter market liquidity going forward, particularly the evolving size and composition of holdings by buy-side institutions and the share of assets under management. Members also discussed various ways that their firms are adjusting to the evolving market environment, such as initiating trades in smaller sizes and executing over longer time horizons, and enhancing management of portfolio liquidity risk and transaction costs across platforms. The group expects to continue discussions on liquidity in the TMPG covered markets at future meetings.
- The TMPG then turned to a discussion of proposed amendments to [FINRA Rule 4210](#) to establish margin requirements for forward settling agency MBS transaction. Members were supportive of the FINRA proposal, which was informed by the TMPG’s margining best practice recommendation and which covers the same product set. The Group’s discussion focused on the proposal’s differences to TMPG’s [best practice recommendations](#) including, the one-way nature of the mark-to-market margin collection, maintenance margin requirement and the use of master agreements. Members noted that, although FINRA stated it supported the use of two-way margining as a means of managing risk, it would not be proposing to address such a requirement at this time. Despite this difference, members viewed the FINRA proposal as complementary to the existing industry best practice of two-way margining, as reflected in the industry standard trading agreement. Members observed that two-way mark-to-market margin exchange better ensures a level playing field and mitigates credit and systemic risk. It was agreed that members of the margining working group would share the TMPG’s perspectives with FINRA and SEC representatives.
- Finally, the TMPG reviewed summary statistics related to its [agency MBS margining recommendation](#). As of September 15, 2015, TMPG member firms had, on average, executed margining agreements with about 69 percent of their counterparties and these agreements covered approximately 86 percent of notional trading volume of forward settling MBS transactions (excluding those centrally cleared); both figures are slightly above statistics reported at the June meeting. Margin exchange was operationalized for roughly 80 percent of executed agreements, in line with the preceding reporting period.
- The TMPG agreed to defer the discussions on potential future TMPG priorities to a future meeting given time constraints.

- The next TMPG meeting is scheduled to take place on Wednesday, December 2nd, from 4:00-6:00 PM.