

TMPG Meeting Minutes

February 28, 2017

TMPG attendees

Julia Coronado (Graham Capital)	Gary Kain (AGNC Investment Corp)	Jerry Pucci (BlackRock)
Deirdre Dunn (Citigroup)	Sheryl King (Bank of Canada)	Ryan Sheftel (GTS)
Mike Garrett (Wellington)	Steve Meier (State Street Global Advisors)	James Slater (BNY Mellon)
Kourtney Gibson (Loop Capital)	Sandie O'Connor (JPMorgan Chase)	Stu Wexler (NEX Group)
Beth Hammack (Goldman Sachs)	Murray Pozmanter (DTCC)	Thomas Wipf (Morgan Stanley)

FRBNY attendees

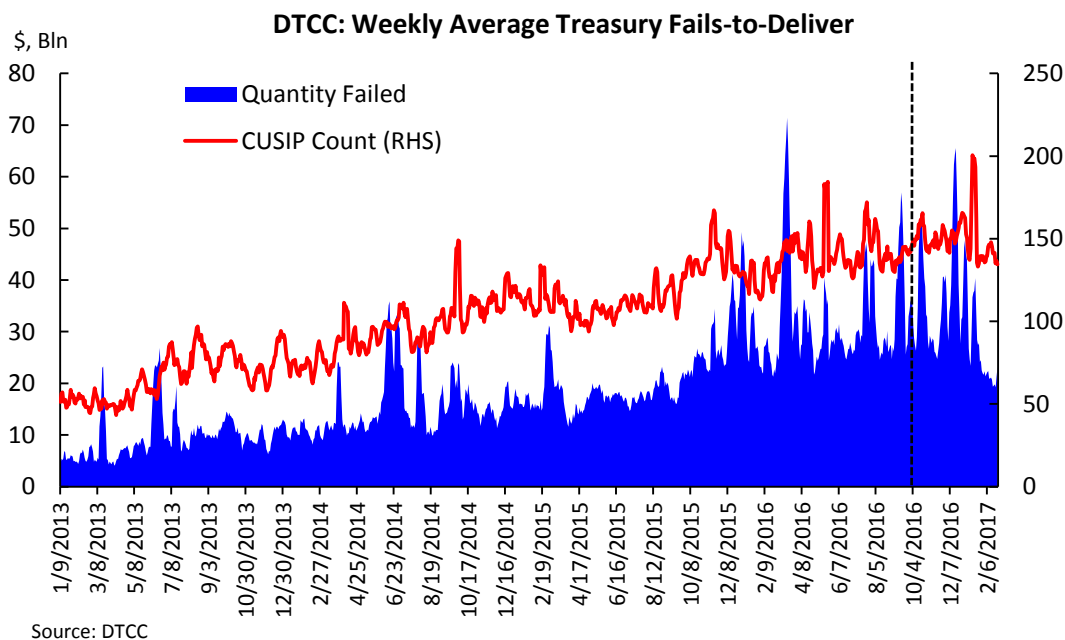
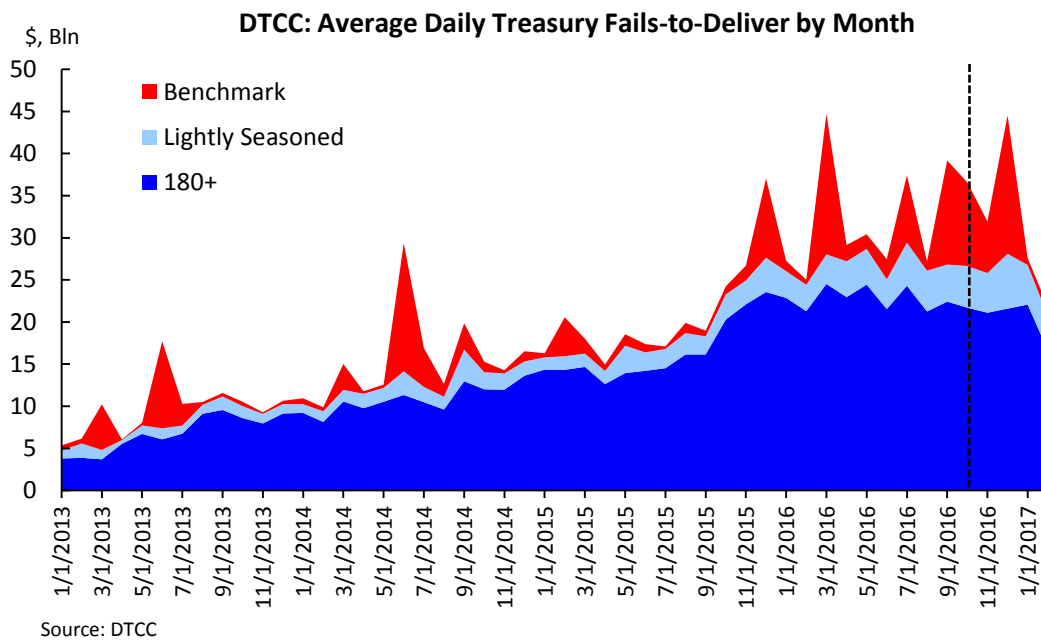
Nashrah Ahmed	Lorie Logan	Brett Rose
Michelle Ezer	Susan McLaughlin	Janine Tramontana
Josh Frost	Radhika Mithal	Nate Wuerffel

- The Chair commenced the meeting by acknowledging the ten years since the [formation of the TMPG](#) and sought members' input on possible steps to raise awareness about the TMPG's mission and its accomplishments over the past decade. Members were invited to submit suggestions to the TMPG Secretariat for ways to highlight the milestone, including industry conferences, meetings, and other events where presentations on TMPG may be appropriate.
- Next, the TMPG reviewed the attached charts reflecting recent trends in settlement fails as a follow-up to the [November meeting](#) discussion. The group noted several trends in the data including the discrete rise in aggregate fails to deliver beginning in late 2015, both in benchmark and seasoned securities; more variation with larger spikes in fails led by benchmark securities over the past year; and a decline in fails over the two months immediately preceding the TMPG meeting, which had brought fails to levels witnessed in late 2015. Some members noted that this decline may be in response to the recent [modification](#) to the TMPG's recommended fails charge trading practice for Treasury securities. TMPG members also discussed various factors that could be potential contributors to fails, including increased demand to short Treasuries that might be causing heightened specialness in repo markets and leading to a rise in benchmark fail; structural factors such as lack of an intraday credit facility at clearing banks and late-day release of collateral following tri-party reforms may be causing fails in seasoned securities; money market funds reform; low velocity of collateral; and implementation of margin rules for uncleared derivatives. Members agreed to continue to monitor settlement fails particularly to ascertain whether the recent decline is sustained.
- Members then received an update from the information handling working group. The TMPG discussed an updated draft of best practice recommendations on information handling. The draft proposes practices related to communicating in a clear and truthful manner, not sharing

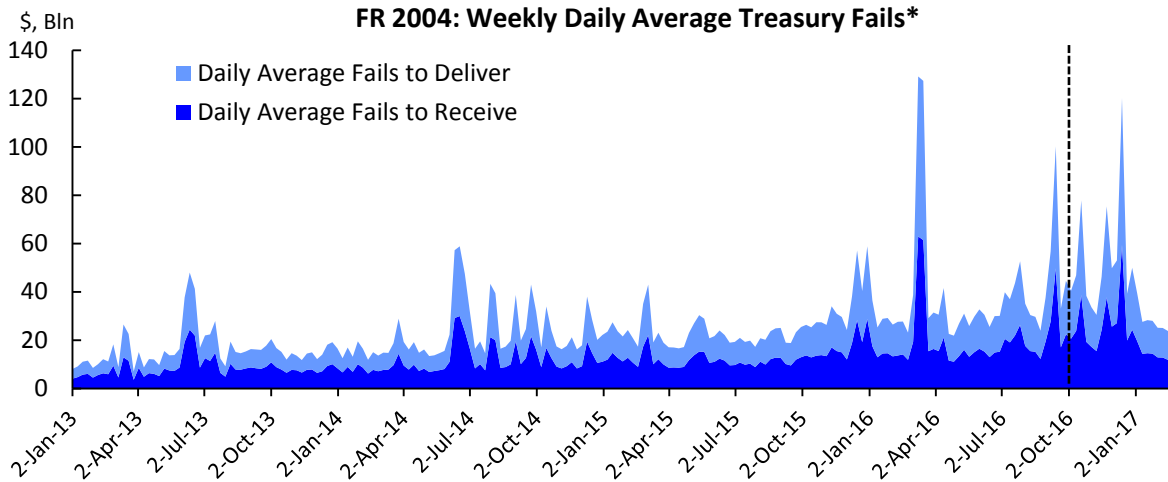
or using confidential information with the intent of adversely affecting the interests of a counterparty or the integrity of the market, limiting sharing and use of confidential information, adopting policies and procedures that identify and address the handling of confidential information, making information handling practices available to counterparties and establishing internal controls designed to ensure compliance with established policies. Members discussed an accompanying document with examples related to information handling best practices and suggested that the working group continue to refine the examples with input from buy- and sell-side traders from TMPG member firms.

- The working group on clearing and settlement in the government securities markets provided an update. Members discussed a detailed outline of a proposed white paper on the clearing and settlement arrangements in the cash Treasury market. The working group noted that it would begin fleshing out sections of the white paper. TMPG members suggested that the working group consider including delivery-versus-payment repo transactions in addition to the Treasury cash market transactions as the flows and clearing arrangements are likely very similar.
- Finally, the TMPG briefly discussed recent market developments, including the uncertainty around potential changes to U.S. fiscal, trade and other economic policies, expectations for future domestic monetary policy changes, expectations for the Federal Reserve's reinvestment policy for its MBS and Treasury holdings and the potential impact on markets, and implications of a potential debt ceiling event on market functioning. Members agreed to review the TMPG's [Operational Plans for Various Contingencies for Treasury Debt Payments](#) as prudent contingency planning for any future eventualities and to consider whether the guidance needed to be updated.
- The next TMPG meeting is scheduled to take place on Thursday, April 13th, 2017 from 3:00-5:00 PM.

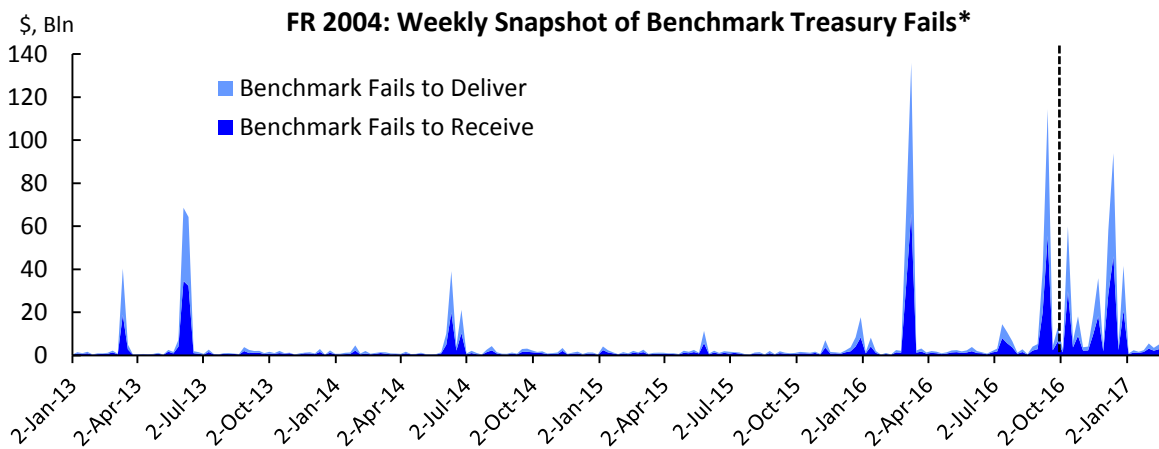
Appendix: Recent Trends in Treasury Settlement Fails



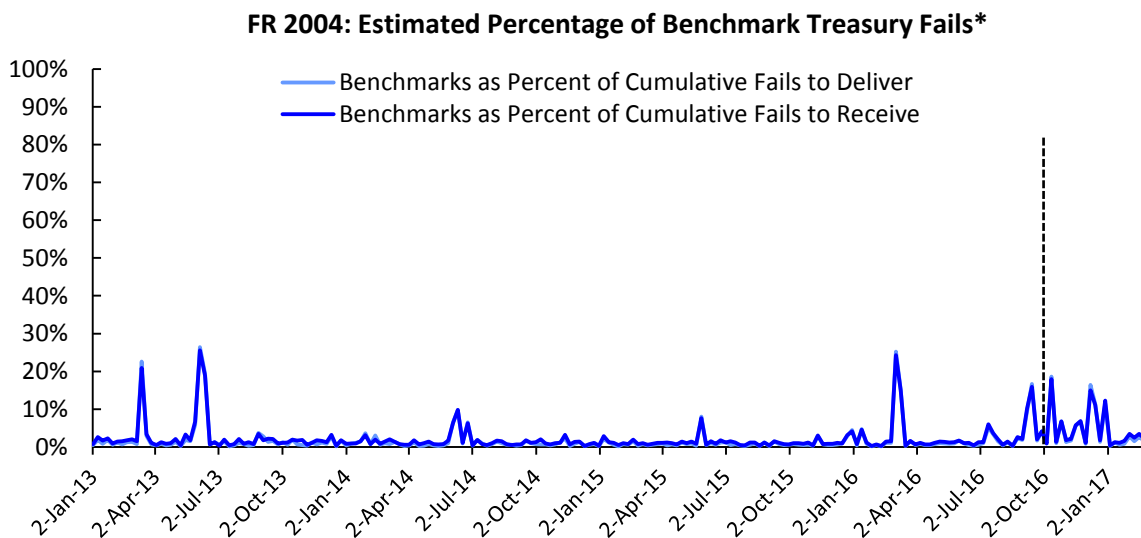
*The trip wires represent the start of October, when the modification to the fails charge would be implemented.



Source: FR 2004, *Cumulative fails divided by 7, reported on FR 2004 Dealer Financing & Fails (C) Report



Source: FR 2004, *Benchmark figures are a snapshot as of COB Wednesday, reported on the FR 2004 Specific Issue (SI) Report



Source: FR 2004, *Benchmark figures are a snapshot as of COB Wednesday, combination of FR 2004 C and SI Reports

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