

TMPG Meeting Minutes

November 7, 2016

TMPG attendees

Julia Coronado (Graham Capital)	Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)
Dan Dufresne (Citadel)	Edward McLaren (Bank of America)	James Slater (BNY Mellon)
Deirdre Dunn (Citigroup)	Steven Meier (State Street Global Advisors)	Stu Wexler (ICAP)
Beth Hammack (Goldman Sachs)	Giuseppe Nuti (UBS America)	Thomas Wipf (Morgan Stanley)
Gary Kain (AGNC Investment Corp)	Sandie O'Connor (JPMorgan Chase)	

FRBNY attendees

Nashrah Ahmed	Lorie Logan	Janine Tramontana
Michelle Ezer	Radhika Mithal	Nate Wuerffel
Josh Frost	Brett Rose	
Frank Keane	Brett Solimine	

U.S. Department of Treasury attendee

James Clark

- The meeting commenced with a welcome to new member Ari Kavour from Wells Fargo Securities. Members reviewed the 2017 TMPG meeting dates and agreed to change the meeting times to 3:00-5:00 p.m. for next year. The TMPG was informed that the Chair and Nate Wuerffel from the New York Fed had provided an [overview of the TMPG](#) to the Canadian Fixed Income Forum at that group's October meeting.¹
- The TMPG discussed recent market developments, including expectations for money market functioning following implementation of money fund reform and over year-end, market expectations for future path of domestic monetary policy, and assessments of near-term financial and political risk events.
- Members then turned to discuss the [Evolving Structure of the U.S. Treasury Market: Second Annual Conference](#) held at the New York Fed on October 24 and sponsored by Joint Members of the official sector.² The TMPG discussed the main themes from the conference, including developments in Treasury trade data reporting, the clearing and settlement practices in the Treasury secondary market and the ongoing evolution of Treasury market structure and liquidity. Members expressed support for efforts to promote data transparency for the official sector and noted that public reporting should be done in a manner that supports market

¹ The [Canadian Fixed-Income Forum](#) is a senior level industry-wide committee established by the Bank of Canada to discuss developments in fixed-income market structure and functioning, market practices, and related policy issues. A link to the presentation that the Chair and Nate Wuerffel provide to this group is also available on the TMPG's website, [here](#).

² The Joint Members of the official sector include the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, the U.S. Securities and Exchange Commission, and the U.S. Commodity Futures Trading Commission.

liquidity. Subsequently, James Clark reminded members that the U.S. Department of the Treasury had published auction information handling [guidelines](#) for participants in competitive Treasury auctions that encouraged establishing information handling policies, disclosure practices, and internal controls. As discussed at the [September TMPG meeting](#), it was noted that the guidelines are intended to improve transparency and support the fairness and integrity of the Treasury auction process.

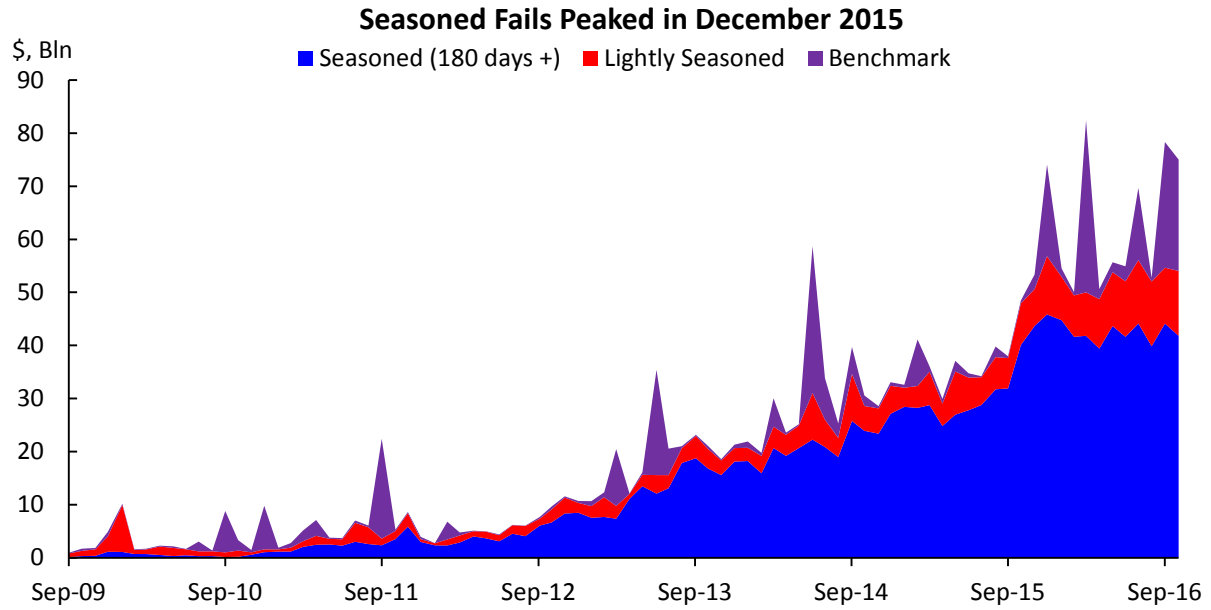
- Next, the TMPG discussed the work program for a planned clearing and settlement working group. Members agreed that the working group should first study and map the current structure of clearing in the Treasury cash and repo markets and could subsequently identify potential risk and resiliency issues and consider possible areas for improvements. TMPG members agreed to volunteer subject matter experts from their firms who could contribute to this working group. In addition, TMPG members agreed that the committee should also track related ongoing developments in the Treasury cash and financing market, including potential central clearing solutions for repo transactions and the evolution of government securities settlement given the departure of JPM Chase from this business.
- The TMPG working group on information handling provided an update. The working group sought feedback from the TMPG on certain draft recommended best practices including those around adopting policies and procedure that address the handling of confidential information and disclosing such policies to counterparties. The TMPG asked the working group to continue to refine these draft best practices.
- The Committee then discussed the trends in settlement fails as a follow-up to the recent [modification](#) of the TMPG's recommended Treasury fails practices, and concluded that more time was needed before assessing the impact of the modification. Fed staff reviewed the recent trends in the composition of fails and noted that the volume of seasoned fails (i.e., securities issued more than 180 days prior) have remained relatively unchanged while settlement fails in benchmark securities had spiked in the past two months (see charts in the Appendix). Members noted that some benchmark securities were trading through the TMPG's recommended fails charge on occasion and discussed possible factors that may be contributing to such heightened temporary specialness, including the formation of a significant short base in the market. Members considered ways to continue engaging with the SIFMA Asset Managers Group in regard to fails in seasoned securities, particularly on implications of inconsistent cut-off times for delivery of securities across custodian banks, as discussed at the [September meeting](#). Members agreed to continue monitoring trends in settlement fails and evaluate possible alternatives to mitigate them.
- Finally, the topic of tri-party repo trade confirmations was raised in connection with the New York Fed's [announcement](#) that it was considering producing three benchmark rates based on

overnight repo transactions collateralized by Treasury securities.³ The TMPG discussed the lack of consistency in reporting of certain information on repo trade tickets, such as collateral type identifiers, transaction types, and open flags. Members considered how to foster uniformity in populating the information and improving the quality of tri-party repo data with the goal of supporting more robust benchmark rates. Members noted that the TMPG had previously undertaken work to [recommend](#) timely trade confirmation in the tri-party repo market and supported the efforts of the Tri-Party Repo Task Force. The TMPG agreed to discuss the issue further and consider possible market practice recommendations to improve quality of reporting repo trade data.

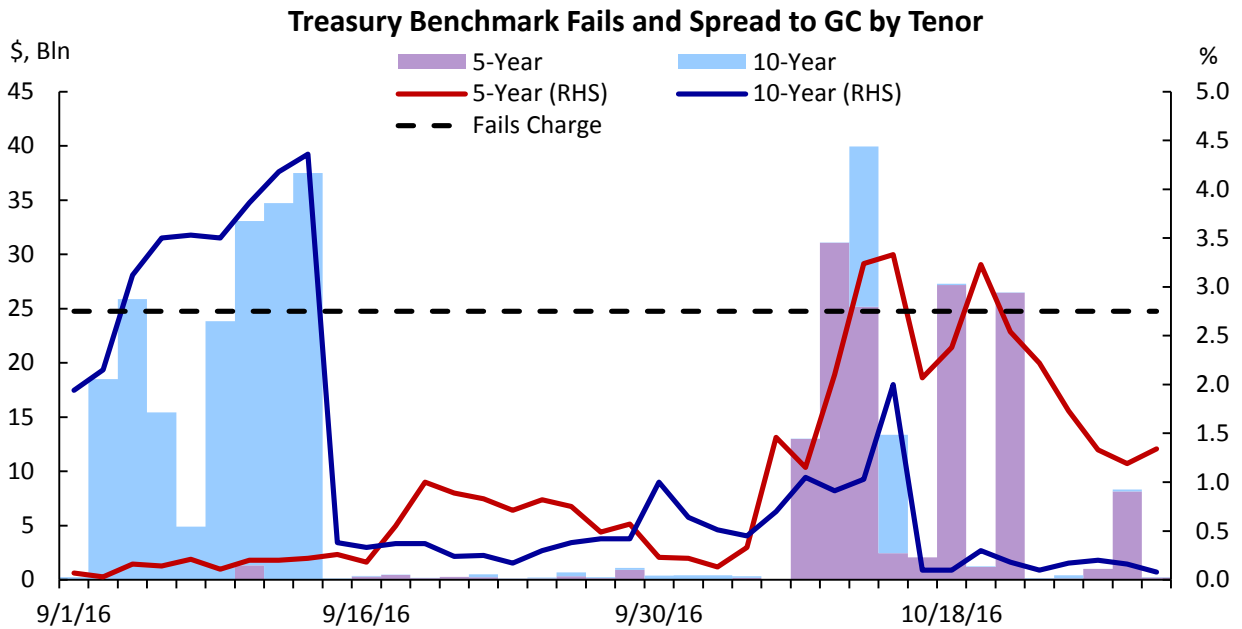
- The next TMPG meeting is scheduled to take place on Monday, December 19th, 2016 from 4:00-6:00 PM.

³ As noted in the announcement, the benchmark rates would rely on several sources of transaction-level data, including tri-party repo data collected from Bank of New York Mellon, GCF data from DTCC and data on Federal Reserve repo transactions.

APPENDIX: Recent Trends in Treasury Settlement Fails



Source: DTCC



Source: DTCC, U.S. repo interdealer broker market