TMPG Meeting Minutes

October 13, 2020

TMPG attendees

Alberto Antonini (Tudor)	Ari Kavour (Wells Fargo)	Murray Pozmanter (DTCC)
Deborah Cunningham (Federated)	Chris Leonard (Barclays)	Jerry Pucci (BlackRock)
David Finkelstein (Annaly)	Edward McLaren (Bank of America)	Rasmus Rueffer (ECB)
Doug Friedman (Tradeweb)	Priya Misra (TD Securities)	Marc Seidner (PIMCO)
Kourtney Gibson (Loop)	Andrea Pfenning (BNY Mellon)	Ryan Sheftel (GTS)
Rob Huntington (Credit Suisse)	Thomas Pluta (JP Morgan)	Casey Spezzano (NatWest)

New York Fed attendees

Frank Keane	Matthew Raskin	Kyle Watson
Lorie Logan	Brett Rose	Nate Wuerffel
Matt Milroy	Janine Tramontana	Patricia Zobel
Rania Perry		

U.S. Department of Treasury attendees

Fred Pietrangeli	Nicholas Steele	Brian Smith
Kipp Kranbuhl		

- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.

- The meeting commenced with members agreeing upon a tentative TMPG meeting schedule for 2021. Next, the TMPG representative from JP Morgan summarized the recent orders and actions related to the firm's illegal spoofing in U.S. Treasury cash and futures markets as well as precious metals futures. The chair noted the TMPG's previous work on manipulative practices, including work done in connection with the committee's 2015 white paper on automated trading. A New York Fed representative then reiterated the importance of adhering to best practice recommendations and conducting all activities in accordance with law and regulation in order to maintain the integrity and efficiency of the markets covered by the TMPG.

- The TMPG meeting then transitioned to a discussion of recent market developments. This discussion began with an overview of what changed in the September 16 Federal Open Market Committee (FOMC) statement relative to the previous statement, from July 29. After this overview, members discussed policy expectations, economic risks, and expected year-end conditions.

- Members noted that they were focused on further communication related to the future path and composition of asset purchase programs. In particular, members discussed whether they expected the weighted average maturity (WAM) of SOMA Treasury purchases to lengthen. Members generally expressed the view that material change to the asset purchase programs or forward guidance would not likely occur in the near term.
- Members noted they remained squarely focused on the U.S. election, with relatively high implied volatility observed in market prices for the month of November due to the potential of a contested election. Members noted that the uncertainty around whether the November election would be contested, or the decision prolonged, had taken a greater importance for market conditions than uncertainty around potential outcomes of the election itself.
- Members noted that they broadly expected funding market conditions to remain stable leading up to, and crossing over, the year-end turn, unlike previous year-end episodes marked by volatility in funding markets. Some members noted that the risk of uncharacteristically soft funding markets at year-end is higher than normal.

– Discussion then shifted to a summary of takeaways from the 2020 U.S. Treasury Market Conference. It was noted that topics discussed at the conference included Treasury market functioning and liquidity in the time of COVID-19, future considerations for Treasury market resilience and subsequent implications for Treasury market structure, and regulation and oversight, of the Treasury market.

– Next, members agreed to form a working group tasked with exploring and prioritizing potential areas of focus and action items in response to the volatility in the covered markets experienced in March and April. The working group is expected to make proposals to the TMPG on prioritization of work at an upcoming meeting. Three areas of potential focus mentioned by TMPG members were clearing and settlement, margining practices, and automated trading. It was also noted that the working group may choose to suggest other study initiatives to the broader TMPG as well.

– The chair then turned to a discussion on updating the TMPG settlement fails FAQs, as discussed in previous meetings. The TMPG agreed to update its FAQs to clarify that: (1) the TMPG fails charge recommendations apply to U.S. Treasury, agency debt and agency mortgage-backed securities transactions settling outside the United States, and (2) the TMPG fails charge recommendations apply to transactions in agency commercial mortgage-backed securities.[1]

- Finally, it was reported that, as of the three-month periods ending on June 15 and September 15, TMPG member firms had, on average, executed margining agreements with about 78 and 77 percent of their counterparties, respectively. In each period, these agreements covered approximately 92 percent of notional trading volume of forward settling MBS transactions (excluding those centrally cleared), and margin exchange was operationalized for roughly 96 and 98 percent of these executed agreements, respectively. The statistics for each period were roughly in line with recent averages.

- The next regularly scheduled TMPG meeting will take place on November 17, 2020, from 3:00-5:00 PM.

[1]The TMPG subsequently published the updated FAQs, which can be found here.