

TPMG Meeting Minutes

February 23, 2016

TPMG attendees

Zahir Antia (Bank of Canada)	Beth Hammack (Goldman Sachs)	Gerald Pucci (Blackrock)
Julia Coronado (Graham Capital)	James Hraska (Barclays)	Mark Tsesarsky (Citigroup)
James DeMare (BAML)	Steven Meier (State Street Global Advisors)	Stuart Wexler (ICAP)
Dan Dufresne (Citadel)	Sandra O'Connor (JPM)	Thomas Wipf (Morgan Stanley)
Michael Garrett (Wellington)	Murray Pozmanter (DTCC)	

FRBNY attendees

Nashrah Ahmed	Radhika Mithal	Janine Tramontana
Frank Keane	Simon Potter	Nate Wuerffel
Michael McMorrow	Brett Rose	

U.S. Department of Treasury attendee

James Clark

- The meeting commenced with the annual review of the TMPG's [Charter](#) and changes to the document including noting that non-member subject matter specialists may be invited to participate on TMPG working groups as well as specifying policies in the disclaimer section. Federal Reserve staff noted that discussions with TMPG members to solicit their views about ways to make the Group's work more effective including possible changes to the Group's membership were continuing, and would be completed before the next meeting.
- The TMPG discussed recent market developments, including reactions to the [January FOMC meeting](#), member expectations for the future path of policy, recent trends in demand for the Fed's ON RRP facility and foreign repo pool, recent Treasury bill market dynamics, and reactions to Simon Potter's [speech](#) on money markets. Members also shared reactions to the negative interest rate policies recently undertaken by certain foreign central banks.
- Next, the TMPG reviewed and agreed to publish its recommended revisions of the [U.S Treasury Securities Fails Charge Trading Practice](#), the [Agency Debt and Agency MBS Fails Charge Trading Practice](#), and an updated set of associated [FAQs](#). The revisions clarify that changes to the reference rate used for calculating the fails charge are aligned to the effective date of any change to the target federal funds rate (or range) as announced by the Federal Open Market Committee.¹
- TMPG members agreed to publish an update to its [Best Practices for Treasury, Agency Debt and Agency Mortgage Backed Securities Markets](#) to incorporate its recommendations on the use of

¹ The TMPG subsequently [published](#) the updated trading practice documentation and FAQs on February 25, 2016.

financial benchmarks. A supporting document, [Use of Financial Benchmarks](#), would also be published.² It was noted that no comments were received during the consultation period.

Members were provided an update on the efforts of members from TMPG, the Risk Management Association (RMA), and the Securities Industry and Financial Markets Association (SIFMA) who are working to resolve issues around the use of the ICAP Fed Funds Open (FFO) as a financial benchmark in securities lending and other financial transactions. As discussed at [prior meetings](#), TMPG had concerns about the robustness of the FFO given the limited volume of underlying transactions and that it is not considered by its publisher to be a benchmark as defined in the [IOSCO Principles for Financial Benchmarks](#) (*IOSCO Principles*). It was noted that the Risk Management Association (RMA) had conducted analysis of certain rates as potential alternatives to the FFO, including the target fed funds rate, the effective fed funds rate (EFFR), the overnight bank funding rate (OBFR), and overnight LIBOR. In considering these alternative rates, TMPG members working on the effort had expressed to the members from the other groups a concern about the robustness of some rates that are calculated on a same-day basis and may not be compliant or consistent with *IOSCO Principles*. Given these concerns, TMPG members suggested to members of the other groups that they consider more closely rates calculated using overnight transactions and published with a one-day lag (lagged rates) including for example, EFFR and OBFR. TMPG members were informed that the RMA had agreed to conduct further analysis on these and other rates using recently published data.³ TMPG members also agreed to consult within their firms on any possible challenges associated with using lagged or other replacement rates to help inform the TMPG's ongoing engagement with the RMA and SIFMA.

- Finally, the TMPG received an update from the working group formed to consider developing recommended best practices around information handling. The working group described its preliminary proposed workplan, including a review of existing guidance on information handling and an examination of various scenarios that may occur in TMPG-covered markets. The working group solicited feedback from the TMPG on the potential scenarios, and requested members to volunteer resources from their firms to add to the expertise on group.

- The next TMPG meeting is scheduled to take place on Tuesday, April 5th, 2016 from 4:00-6:00 PM.

² The updated *Best Practices* and the *Use of Financial Benchmarks* were [published](#) on February 24, 2016.

³ Beginning March 2 the EFFR and OBFR are published daily and are available [here](#) and [here](#). Historical brokered OBFR data was released on the New York Fed website along with Simon Potter's February 22 [speech](#).