

TMPG Meeting Minutes

April 18, 2013

TMPG attendees

Art Certosimo (BNY Mellon)	Beth Hammack (Goldman Sachs)	Mark Tsesarsky (Citigroup)
Daniel Dufresne (Citadel)	Jim Hraska (Barclays)	Stu Wexler (ICAP)
Brian Egnatz (HSBC)	Murray Pozmanter (DTCC)	Tom Wipf (Morgan Stanley)
John Fath (BTG Pactual)	Joerg Stephan (Deutsche Bundesbank)	
Michael Garrett (Wellington)	Nancy Sullivan (BNY Mellon)	

FRBNY attendees

Vic Chakrian	Frank Keane	Janine Tramontana
David Finkelstein	Lorie Logan	Nate Wuerffel
Josh Frost	Susan McLaughlin	
Peggy Kauh	Simon Potter	

- The meeting commenced with an administrative note that James Clark, Deputy Assistant Secretary for Federal Finance, would replace the outgoing U.S. Treasury ex-officio member on the TMPG.
- The Group then turned to discuss proposals aimed at achieving more timely three-way confirmation in the tri-party repo market:
 - Members continued their discussion from the [previous meeting](#) of a potential trading practice recommendation regarding tri-party repo trade matching and confirmation. There was general consensus within the Group that smooth, predictable, and efficient settlement and clearing in the tri-party repo market are crucial for preserving the liquidity and function of the Treasury, agency debt, and agency mortgage-backed securities (MBS) markets.
 - Members agreed that in order to promote the integrity and efficiency of the tri-party repo market, market participants should execute and confirm substantially all tri-party repo trades by 3:00 PM to help ensure an orderly start to tri-party settlement processing at 3:30 PM.
 - Members also agreed that all tri-party repo trades should be matched and confirmed in a timely manner. The Group expressed support for recommending that all tri-party repo trades executed before 3:00 PM should be matched and confirmed by 3:00 PM, and that any tri-party repo trades executed after 3:00 PM should be matched and confirmed within 15 minutes.
 - Additionally, members conveyed their support for a recommendation that trade cancellations and corrections should be rare and occur only as a result of operational errors or other mistakes made in good faith. Members further agreed that trade cancellations and corrections should be routinely reviewed by senior desk management and compliance staff, particularly for any occurrences after 3:00 PM.
 - The Group then agreed to release a [statement](#) the following morning announcing a proposal to broaden the current [Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets](#) by incorporating the above-mentioned practice recommendations for tri-party repo markets. The Group concluded that the

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- new practices could readily be implemented by August 1, 2013, which should provide sufficient time for market participants to adjust their trading practices. There was also broad support to solicit comments from the broader public through May 17, 2013.
- Focus then shifted to feedback received on the [recent updates](#) to the TMPG’s best practice recommendation to margin forward-settling agency MBS transactions, which was initially announced on [November 14, 2012](#):
 - Members indicated that the adjustment to the implementation timeline and clarification of the recommended practice’s scope were generally positively received by the industry.
 - The Group discussed the implementation process, including applying the practice to the types of agency MBS transactions within the practice’s recommended scope, and ongoing operational and legal challenges.
 - The Group agreed to continue to monitor the market’s progress, including industry solutions for reporting and processing margin. Additionally, members cited interest in continuing outreach efforts to market participants in order to support the industry’s implementation of the practice.
 - The Group then briefly discussed some potential TMPG priorities for the remainder of 2013:
 - Members noted that following up on the TMPG’s [recently recommended](#) market practices—specifically, margining forward-settling agency MBS transactions, removing the two-day resolution period from the agency MBS fails charge trading practice, and supporting more timely trade confirmation in the tri-party repo market—remains a priority for the near-term.
 - Members then mentioned several possible areas of focus going forward that might support the integrity and efficiency of the Treasury, agency debt and agency MBS markets, including approaches to to enhance data transparency on market function and liquidity conditions, business resiliency and contingency efforts, and ongoing monitoring of the fails charge trading practices’ impact on market clearance.
 - The Group also agreed to conduct a gap assessment of the existing recommended practices in the TMPG’s [Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets](#).
 - Members agreed to continue this discussion at future meetings.
 - The meeting ended with a brief discussion of recent market developments, including financial market reaction to the Federal Open Market Committee’s March meeting minutes, and the current state of market function for the Treasury, agency, and agency MBS markets.
 - The next TMPG meeting will take place on Wednesday, May 22, from 4:00-6:00 PM.