**TMPG Meeting Minutes**

*Date: November 28, 2023*
*Location: BNY Mellon, 240 Greenwich Street*

TMPG attendees

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| Alberto Antonini (Tudor Investment Corp) | Matthew Franklin-Lyons (JPMorgan) | Adam Nunes (Hudson River Trading) |
| Richard Chambers (Goldman Sachs) | Doug Friedman (Tradeweb) | Andrea Pfenning (BNY Mellon) |
| Qing Chen (Morgan Stanley) | Laura Klimpel (DTCC) | Gerald Pucci (BlackRock) |
| Debbie Cunningham (Federated Hermes) | John Madziyire (Vanguard) | Marc Seidner (PIMCO) |
| Sunil Cutinho (CME Group) | Edward McLaren (Bank of America) | Casey Spezzano (NatWest) |
| David Finkelstein (Annaly Capital Mgt) | | |

New York Fed attendees

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| Anirudh Arikarevula | Anna Nordstrom | Brett Rose |
| Ellen Correia Golay | Roberto Perli | Janine Tramontana |
| Frank Keane | William Riordan | Agata Zhang |
| Michelle Neal | | |

U.S. Department of Treasury attendees

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| Joshua Frost | Frederick Pietrangeli | Brian Smith |

Board of Governors attendees[1]

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| David Bowman | Laura Lipscomb | Molly Mahar |
| Mark Buresh | | |

- The meeting commenced on an administrative note, with the TMPG Secretariat announcing the TMPG meeting schedule for next year.

- A Board of Governors representative expressed interest in hearing TMPG members' views on the Basel III Endgame Notice of Proposed Rulemaking to amend capital requirements for large banks. Members broadly voiced concerns with the proposal, pointing to general issues with the operational risk capital framework and flagging consequential differences between the U.S. framework and other jurisdictions. One member also highlighted misalignment between potential impacts of the Basel III Endgame and the GSIB surcharge proposals on central clearing. The Board of Governors representative encouraged members to submit written feedback on the issues raised in the discussion.

- A New York Fed representative gave a recap of key themes that emerged from the 2023 U.S. Treasury Market Conference held on November 16, and the Inter-Agency Working Group for Treasury Market Surveillance (IAWG) 2023 Staff Progress Report. Themes from the conference included the need for greater data availability and transparency, potential implications of continued growth of cash futures basis trades, and the recent resilience of the Treasury market, among others. Members were then asked to consider how these themes can effectively shape the group's priorities for the upcoming year.

[1] Mark Buresh, Laura Lipscomb, and Molly Mahar left the meeting following the Basel III Endgame discussion.

- Next, one of the Co-Chairs of the **Non-Centrally Cleared Bilateral Repo Risk Management Working Group** provided an update on the group's progress. It was noted that the TMPG Secretariat is in the final stages of gathering information on risk management practices in the non-centrally cleared bilateral repo market.

- The Chair of the **Early Funding Market Trading Working Group** provided an update on the group's key findings that some market participants have not been publishing early morning voice executed trades to electronic trading screens when the trades occur. Members then discussed a working draft of proposed clarifications to TMPG's existing recommended best practices regarding efficient price reporting and transparent markets[2].

- Members then turned to a discussion of recent market developments since the October TMPG meeting. The group discussed views on the economic growth outlook, and expectations for the path of policy and the Fed's balance sheet. Members also briefly discussed impacts to the covered markets caused by the operational outage at a financial institution that became a target of ransomware attack earlier in the month.

    - Economic growth outlook: Members noted that the economy continues to perform relatively well but generally agreed on a base case for a mild and shallow U.S. recession starting early to mid-next year, citing continued (although slowly declining) presence of excess savings on the consumer side, corporate overborrowing at lower rates resulting in higher earnings in the current rate environment, and low outstanding mortgage rates. These tail winds are expected to gradually dissipate. Members also expect a continued decline in U.S. inflation over the next year, but pointed to potential risks from fiscal policy pressures, including upcoming election results, government spending, and fiscal consolidation, as potentially impacting the path towards the inflation target.

    - Expectations for the path of policy and Fed balance sheet: Members noted that while the current trajectory for the path of the policy is uneven, a rate hike at the December FOMC meeting was highly unlikely. Instead, most members focused on the timing and magnitude of rate declines in 2024. Some factors cited included slightly weaker economic data released since the November FOMC meeting, easing of financial conditions, and recent communication from Fed officials. Further, members agreed that the ON RRP has been working as designed. The rapid decline in the ON RRP's usage was attributed to increased Treasury net issuance and higher repo rates, which in turn incentivized rate sensitive money funds to rotate out of the ON RRP into alternative investments.

    - Operational Outage: The Chair reminded members of existing TMPG's best practice recommendations related to maintaining a robust control environment[3] and the group's

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[2] TMPG Seeks Comment on Proposed Clarification to its Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets.

[3] Best practice #8: **Market participants and trading venues should ensure that they employ a robust change control process for designing, testing, and introducing new trading technologies, algorithms, order types, or other potentially impactful system features or capabilities.** Changes to trading venue processes and procedures should promote market integrity and should take into account, prior to implementation, behavior and market alterations that these changes may foster. Market

previous discussions[4] about cyber risk. Members then highlighted the importance of operational resiliency and routine evaluations of internal business processes that rely on service providers, assessments of vulnerabilities as part of risk management process, and engagement with various industry forums focused on operational readiness. The committee will continue to discuss cyber resiliency and its importance for the covered markets.

- The next TMPG meeting is scheduled to take place on February 28, 2024, from 3:00-5:00 PM.

participants and trading venues should also evaluate liquidity or credit counterparty exposures that could result in a wide range of scenarios, including a midday cyber or operational disruption— especially if a trading counterparty relies on the high use of intraday liquidity and credit that is implicit in high-gross, low-net trading activity. Market participants and trading venues should adopt written policies and procedures identifying the types of changes that must be vetted and ensuring that such changes are vetted with appropriate representatives from key support areas such as compliance, risk, and operations. Such processes should be reviewed on a regular basis for ongoing compliance.

Best practice #11: **Market participants should recognize that risk from any disruption that could have a systemic impact on service providers, critical venues, or clearing and settlement services—including "cyber risk" originating outside market participant firms—is a risk that the market holds jointly.** Since external cyber risk is faced by all market stakeholders, participants should endeavor to work together in industry forums and cooperate with official sector efforts to mitigate and manage such risks. Cyber risk can also be an internal risk that firms address based on the nature of their market operations and engagement.

Best practice #13: **Market participants should plan for a potential lack of access to service providers, critical trading venues, and clearing and settlement services, and manage the associated risk.** Such preparations should include contingency plans given the loss of a key trading platform or market service provider. Market participants should, in a manner commensurate with their level of risk and volume in the market, be aware of the potential for the loss of a key trading platform or market service provider; understand the contingency plans of their trading platforms and service providers; and develop their own contingency plans, contemplating the broader market loss of a trading platform or service provider.

[4] March 28, 2023 TMPG meeting minutes and October 23, 2018 TMPG meeting minutes.