

## TMPG Meeting Minutes

May 21, 2019

### TMPG attendees

Alberto Antonini (Tudor)	Gary Kain (AGNC Investment Corp)	Ryan Sheftel (GTS)
Deirdre Dunn (Citigroup)	Chris Leonard (Barclays)	Stu Wexler (NEX Group)
Beth Hammack (Goldman Sachs)	Edward McLaren (Bank of America)	Thomas Wipf (Morgan Stanley)
Rob Huntington (Credit Suisse)	Murray Pozmanter (DTCC)	Gemma Wright-Casparius (Vanguard)
Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)	

### FRBNY attendees

Frank Keane	Rania Perry	Carolyn Windover
Lorie Logan	Brett Rose	Nate Wuerffel
Matt Milroy	Janine Tramontana	

### Depository Trust and Clearing Corp attendees

James Hraska

### U.S. Department of Treasury attendees

Fred Pietrangeli                      Brian Smith

- The meeting commenced with the FRBNY welcoming a guest representative from DTCC's Fixed Income Clearing Corp (FICC). The FICC representative provided an overview of a recent [DTCC white paper](#) titled "Central Clearing in the U.S. Treasury Cash Market," which follows recent TMPG publications ([proposed best practice recommendations](#) and [consultative white paper](#)) encouraging review of clearing and settlement issues by public- and private-sector stakeholders. The representative discussed five future initiatives being proposed by FICC that would support an increase in central clearing activity. Specifically, the proposed initiatives are: including the start-leg of overnight repo in the clearing house net; expanding FICC's current capabilities for designating qualified institutions to submit trades directly to FICC on behalf of two members as "Locked-In Trade Sources"; enhancing the cross margin arrangement between the FICC and Chicago Mercantile Exchange (CME); moving to include a common clearing fund for all GSD and MBSD members; and optional portfolio margining for GSD and MBSD common members. The representatives noted that FICC's proposals are designed to improve access to central clearing, increase clearing efficiencies, and reduce clearing costs for market participants, and that they require regulatory approval. Following the discussion, the FICC representative left the meeting.
- Next, members discussed recent outreach efforts by the TMPG. Members were informed that the clearing and settlement working group held a drop-in call to raise awareness about the clearing and settlement [best practice recommendation note](#) with industry groups and market participants. It was noted that the call was attended by approximately 30 market participants,

including participants from buy- and sell-side institutions as well as key market utilities.<sup>1</sup> It was noted that TMPG members provided participants with an overview of the group's recent work and answered questions. One question concerned the benefits of central clearing as compared to the costs of central clearing and whether the TMPG was recommending an increase in central clearing. In response to questions received, TMPG members noted the TMPG did not form a consensus view as to whether increased use of central clearing services should effectively be compelled, either through a regulatory mandate or strong regulatory incentives, and that TMPG's work was principally concerned with understanding clearing and settlement processes and associated risks, and did not specifically examine practices that might increase or decrease central clearing.

- The chair of the UMBS working group then informed members that SIFMA had distributed to their members a [TMPG note](#) that encouraged market attention to the group's best practice recommendations during the transition to UMBS. Members then provided views on the current state of the agency MBS market as forward trading of Fannie Mae and Freddie Mac TBAs fully transitioned to UMBS. Members noted that trading conditions remained normal, including during the May settlement cycle, and that the transition was proceeding as well as or better than could be expected from a market functioning perspective.
- FRBNY staff then noted that the Canadian Fixed Income Forum (CFIF) would be hosting a workshop on settlement fails and had invited a TMPG member and FRBNY staff member to give a presentation on the TMPG's experience in recommending a fails charge for U.S. Treasury securities.
- The TMPG then discussed recent market developments, including funding market dynamics, FOMC communications, and monetary policy expectations.
- Next, FRBNY staff noted that SIFMA recently revised its [published policies](#) regarding unscheduled market closures. Its revised guidance indicated that SIFMA will not recommend that fixed income markets be fully closed on a National Day of Mourning if the Federal Reserve remains open. Instead, SIFMA intends to mark a National Day of Mourning with a recommended early close consistent with SIFMA's holiday-related early close recommendations.
- The meeting ended with FRBNY staff thanking Tom Wipf from Morgan Stanley for his service as Chair of the TMPG for the past 12 years.<sup>2</sup> FRBNY staff noted that Tom contributed to numerous

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<sup>1</sup> The TMPG invited a number of trade associations that had provided feedback on the TMPG clearing and settlement work, including the Managed Funds Association, FIA-Principal Trading Group, SIFMA, the Risk Management Association, the Investment Company Institute, the Fixed Income Forum, and others.

<sup>2</sup> Tom Wipf stepped down as chair of the TMPG following his [designation as chair](#) of the Alternative Reference Rates Committee.

efforts over his tenure as Chair, including the [TMPG recommendations](#) for a fails charge for U.S. Treasury, agency debt, and agency mortgage-backed securities (MBS) settlement fails, margining of forward MBS transactions, support for timely reporting of tri-party repo transactions, automated trading practice guidance and best practice recommendations for the TMPG covered markets.<sup>3</sup> FRBNY staff informed the group that Gerald Pucci of Blackrock had agreed to serve as Chair of the TMPG, starting this summer, through the first half of 2020.

- The next TMPG meeting is scheduled to take place on June 25, 2019, from 3:00-5:00 PM.

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<sup>3</sup> A detailed list of work completed by the TMPG under Tom Wipf's tenure can be found [here](#).