

TMPG Meeting Minutes

June 22, 2021

TMPG attendees

Alberto Antonini (Tudor)	Ari Kavour (Wells Fargo)	Rasmus Rueffer (ECB)
Sunil Cutinho (CME Clearing)	Edward McLaren (Bank of America)	Carolyn Sargent (Morgan Stanley)
David Finkelstein (Annaly)	Priya Misra (TD Securities)	Marc Seidner (PIMCO)
Doug Friedman (Tradeweb)	Andrea Pfenning (BNY Mellon)	Ryan Sheftel (GTS)
Kourtney Gibson (Loop)	Thomas Pluta (JP Morgan)	Casey Spezzano (NatWest)
Paul Hamill (Citadel Securities)	Murray Pozmanter (DTCC)	Gemma Wright-Casparius (Vanguard)
Deland Kamanga (BMO)	Jerry Pucci (BlackRock)	

New York Fed attendees

Veronika Jastrzebski	Rania Perry	Janine Tramontana
Lorie Logan	Matthew Raskin	Kyle Watson
Matt Milroy	Brett Rose	Nate Wuerffel

U.S. Department of Treasury attendees

Joshua Frost	Fred Pietrangeli	Nicholas Steele
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Depository Trust & Clearing Corporation attendees

Timothy Cuddihy	Laura Klimpel
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- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.
- The meeting commenced with the Chair welcoming Sunil Cutinho from CME Clearing and Paul Hamill from Citadel Securities to the group. The Chair also welcomed Veronika Jastrzebski as a new member of the New York Fed secretariat staff and thanked Kyle Watson, who will be departing. The Vice Chair reviewed the group's priorities document, which was updated to include an ongoing objective related to the TMPG's early trading working group and additional details on the potential for a future priority related to return to workplace plans, based on feedback from TMPG members. The document is included as an appendix.
- The Chair noted that members had reviewed the 2013 TMPG [white paper](#) on "Operational Plans for Various Contingencies for Treasury Debt Payments" and determined that no changes are warranted.¹ Members reaffirmed that the document remains a relevant technical reference on

¹ The TMPG's 2013 work discusses certain potential practices that could reduce but not eliminate the operational difficulties posed by a delayed payment on Treasury debt. The group's most recent prior discussion of the White Paper was in [September 2019](#).

some of the trading, clearing, settlement, and other operational challenges that might arise in the unlikely event of a delayed payment on Treasury debt.

- Members then transitioned to a discussion of market developments since the May TMPG meeting. Members discussed their takeaways from the June FOMC meeting, their reaction to increased utilization of the Federal Reserve's overnight reverse repurchase agreement facility (ON RRP), and shared thoughts on recent agency mortgage market dynamics.
 - o Members were continuing to formulate their takeaways from the June FOMC and did not form a consensus view on key themes, such as inflation expectations and expectations around the Federal Reserve's Flexible Average Inflation Targeting (FAIT) framework. On inflation, some members viewed recent elevated levels of inflation as transitory, whereas others thought higher inflation would be more permanent, and that inflation would run above market and FOMC expectations going forward. On FAIT, some members hoped there would be more detailed communications around what levels of inflation, or rough inflation bands, would be considered acceptable by the FOMC – and how much of an overshoot would be tolerated by the Committee. Members noted that their expectations for asset purchases did not dramatically shift following communications from the June FOMC.
 - o The ON RRP was generally viewed by members as serving its intended purpose and acting as an effective soft floor on repo rates. Some members noted that increased ON RRP volumes were expected and that ON RRP utilization could continue increasing in the coming weeks. Separately, members noted the discussion in the April FOMC meeting minutes and commented that they were generally in favor of the Foreign and International Monetary Authorities (FIMA) Repo Facility being made permanent. Members also noted that market participants would need additional information around a potential permanent standing repo facility before they could form a view as to the need or efficacy of such a facility.
 - o Discussion then turned to mortgage market dynamics. Members noted that agency MBS markets continue to function well despite a degree of basis volatility following the June FOMC meeting. They noted that the all-time tights in the Treasury-MBS basis leading into the May TMPG meeting had partially receded, even amid continuous Federal Reserve, bank, and foreign demand. Regarding settlement frictions, members suggested that collateral scarcity had subsided as evidenced by fewer dollar rolls by the System Open Market Account (SOMA).
- TMPG members then discussed market functioning issues in the context of returning to the workplace. Members were generally sanguine about the preparedness of the market overall. They anticipated that the return to work was less likely to impact market functioning than the

initial switch to the work from home environment, given the chance for systems testing and a more measured pace of change. Members noted the need to ensure robust controls around trading and settlement in the covered markets at all times. Members were asked to follow up with the TMPG secretariat with any observations in terms of potential updates to the TMPG's recommended best practices around internal controls and risk management that may be applicable.

- The chair of the TMPG's repo market clearing and settlement working group noted that the working group is almost finished mapping the uncleared bilateral repo market and will soon move to the general collateral financing market. It was also noted that work continued in both the TMPG's data and transparency working group and its newly-formed early trading working group. Both working groups are expected to report back with updates at the September TMPG meeting.
- The TMPG secretariat then noted that the group's practice of reviewing summary statistics related to the TMPG's agency MBS [margining recommendation](#) on a quarterly basis, will instead take place semiannually. This change was cited as reducing TMPG member operational burden while continuing to report on the data in a timely manner.
- The discussion was followed by a Depository Trust & Clearing Corporation (DTCC) staff [presentation](#) on increasing central clearing in the U.S. Treasury cash market. This presentation summarized a recent DTCC [white paper](#) on the topic.
- The next regularly scheduled TMPG meeting will take place on September 2, 2021, from 3:00-5:00 PM.

APPENDIX: TREASURY MARKET PRACTICES GROUP PRIORITIES

This document outlines current and ongoing TMPG priorities and provides a running list of potential future topics for group discussion.

Current Priorities

- Map the clearing and settlement landscape for USD repo, to understand the market structure and how it has evolved in recent years. Then analyze maps to identify risks, resiliency issues, and consider whether deliverables such as revisions to TMPG best practices or a whitepaper are warranted.
- Create an inventory of existing Treasury covered market data, including providers and sources. Then analyze the data landscape and consider whether additional data could contribute to improved Treasury market structure and resiliency.
- Review the potential increase in pre-FICC open repo trades, which may not be visible to market participants at the time of trade and discuss whether this activity and applicability to the TMPG.

Ongoing Priorities

- Continue to monitor the level of settlement fails and update TMPG's fails charge practice as needed to support the function of the Treasury, agency debt and agency MBS markets.
- Continue to monitor and analyze market liquidity dynamics in TMPG covered markets.
- Continue to promote best practices for two-way margining of forward settling MBS transactions and track market and regulatory developments in the area.
- Continue to encourage and support industry business continuity preparedness across TMPG covered markets, including initiatives on crisis communication and response, geographic resiliency, and dependence on common service providers.
- Continue to follow trends related to the growth of electronic trading, and other market structure dynamics, and assess the impact on liquidity and resiliency in the secondary market for Treasury securities.
- Periodically evaluate the structure and applicability of the existing best practices document to maintain relevance.

Potential Future Topics for Discussion (in alphabetical order)

- Automated trading practices and their evolution
 - Discuss continuity risks in the context of key service providers
- Business continuity and resiliency
 - Assess the landscape of trading protocols in the secondary market for Treasury securities
- Intermediation capacity/constraints
 - Discuss and assess the variety of factors that impacted intermediation challenges during the pandemic
- Market structure
 - Monitor work related to central clearing, all-to-all trading and the transition from LIBOR to SOFR. And monitor developments in environmental, social and governance that relate to TMPG covered markets

- Work from home and return to work plans
 - Study lessons learned from WFH environment during pandemic
 - Discuss challenges/risks related to the trading or settlement of Treasury securities/MBS as the return to work trend in the industry continues