

March 27, 2013

TMPG Releases Updates to Agency MBS Margining Recommendation

The Treasury Market Practices Group (TMPG) today updated its recommendation regarding the margining of forward-settling agency mortgage-backed securities (MBS) transactions. Specifically, the TMPG modified its recommended implementation timeline and clarified two aspects of the margining recommendation in response to feedback received from market participants. The TMPG believes that these updates will provide the time and guidance needed by market participants to implement this practice guidance.

The TMPG [initially recommended](#) that firms implement the margining practice on a rolling basis and complete the process by early June 2013. Recognizing the operational challenges and legal resources required, the TMPG recommends that market participants make significant progress towards margining forward-settling agency MBS exposures by early June 2013 and substantially complete the process by December 31, 2013. The TMPG recommends a risk-based approach whereby market participants should continue to implement the practice recommendation on a rolling basis and prioritize their most material exposures.

In addition, the TMPG is clarifying two aspects of the margining recommendation in response to questions received from market participants: the types of agency MBS transactions that are within the practice's recommended scope and what constitutes "forward-settling" for the purpose of this recommendation. Specifically, the TMPG recommends that the margining practice, at a minimum, apply to four broad categories of agency MBS transactions: To-Be-Announced (TBA) transactions, specified pool transactions, adjustable-rate mortgage (ARM) transactions, and collateralized mortgage obligation (CMO) transactions. Further, the TMPG recommends that margining be applied based on the type of agency MBS transaction and the existing market trading and settlement conventions for each transaction type. For TBA, specified pool and ARM transactions, the TMPG recommends, at a minimum, that all trades for which the difference between trade date and contractual settlement date is greater than one business day be subject to margining; and for CMO transactions, the TMPG recommends, at a minimum, that all trades for which the difference between trade date and contractual settlement date is greater than three business days be subject to margining.

For additional information on the TMPG's agency MBS margining practice, please see: <http://www.newyorkfed.org/tmpg/margining.html>.

Members of the public may submit questions or comments to tmpg@ny.frb.org.

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About the Treasury Market Practices Group (TMPG):

The Treasury Market Practices Group (TMPG) is a group of market professionals committed to supporting the integrity and efficiency of the Treasury, agency debt and agency mortgage-backed securities (MBS) markets. The TMPG is composed of senior business managers and legal and

The logo features the text "TMPG | Treasury Market Practices Group" in white serif font against a dark blue background. The background image shows a close-up of a metal railing or staircase with numbers "23" and "30" visible on a ledge.

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compliance professionals from a variety of institutions – including securities dealers, banks, buy-side firms, market utilities and others – and is sponsored by the Federal Reserve Bank of New York. More information is available at: www.newyorkfed.org/tmpg

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