

April 9, 2015

TMPG Releases Consultative White Paper on Automated Trading in Treasury Market and Proposes Best Practice Guidance

The Treasury Market Practices Group (TMPG) today released a consultative white paper describing the growth of automated trading in the secondary market for Treasury securities, and some of the benefits and risks associated with this evolution. The paper also incorporates proposed updates to TMPG’s best practice guidance for the Treasury, agency debt and agency mortgage-backed securities (MBS) markets related to automated trading. The TMPG welcomes feedback on both the white paper and its proposed practice guidance.

Over the last decade, automated trading in the Treasury market has grown significantly just as it has in many other asset classes. It now is central to the market's structure, playing a crucial role in the efficiency and liquidity of the market. This development has helped reduce costs and increase efficiency for many market participants, helping them to more effectively carry out transactions and manage risk.

Increased adoption of automated trading has also raised a number of important concerns, including the potential for greater operational risk, greater counterparty risk, potential growth in disruptive market practices or trading strategies, as well as the risk of more frequent sharp, short-term disruptions to the price discovery process.

Recognizing the evolving structure of Treasury markets, the TMPG formed a working group in early 2014 to explore the scope of algorithmic and high frequency trading in TMPG covered markets. Based on this work, the TMPG has proposed a set of recommendations around automated trading which supplement previously issued best practices to promote and support the continued efficiency and integrity of the market.

“The TMPG strongly believes that the proposed best practice recommendations will bolster the integrity of the Treasury market. As automated trading evolves further, these practice recommendations might also evolve,” said Tom Wipf, Chair of the TMPG.

Members of the public may submit comments by May 9, 2015 to tmpg@ny.frb.org. The TMPG expects to release a final white paper and best practice recommendations after its evaluation of public comments.

The logo features the acronym 'TMPG' in a large, bold, white serif font, followed by a vertical bar and the full name 'Treasury Market Practices Group' in a smaller, white sans-serif font. The background is a dark blue image of a financial chart with vertical bars and horizontal grid lines, with the numbers '23' and '30' visible on the right side.

TMPG | Treasury Market Practices Group

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 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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