

TMPG Meeting Minutes

February 28, 2013

TMPG attendees

Art Certosimo (BNY Mellon)	Beth Hammack (Goldman Sachs)	Nancy Sullivan (BNY Mellon)
Daniel Dufresne (Citadel)	Curt Hollingsworth (Fidelity)	Mark Tsesarsky (Citigroup)
Brian Egnatz (HSBC)	Jim Hraska (Barclays)	Stu Wexler (ICAP)
John Fath (BTG Pactual)	Murray Pozmanter (DTCC)	Tom Wipf (Morgan Stanley)
Michael Garrett (Wellington)	Gerald Pucci (BlackRock)	Matt Zames (J.P. Morgan)

FRBNY attendees

Vic Chakrian	Frank Keane	Janine Tramontana
David Finkelstein	Lorie Logan	Nate Wuerffel
Josh Frost	Susan McLaughlin	
Peggy Kauh	Simon Potter	

U.S. Treasury Department attendee

James Clark

- The meeting commenced with a discussion of recent market developments, including financial market reaction to the January meeting of the Federal Open Market Committee, and the current state of market function for the Treasury, agency, and agency MBS markets.
 - The Group also briefly reviewed some quantitative and qualitative measures of market function, and discussed whether there was any role for the TMPG in supporting the dissemination or collection of additional market function and liquidity metrics to enhance market transparency. Members agreed to discuss the issue further at future meetings.

- The Group then discussed agency MBS settlement fails and whether modifying the TMPG’s fails charge trading practice recommendation for agency MBS would be appropriate:
 - Members noted that the two-day resolution period was introduced as an operational accommodation when the practice was first announced and concluded that the resolution period was no longer necessary, given that most market participants have been able to manage the fails claim process effectively. Moreover, it was noted that removing the resolution period should reduce incentives to intentionally fail to deliver securities in order to “sort the box” during the resolution period, a behavior inconsistent with the [TMPG’s best practices](#).
 - Members decided not to change the recommended fails charge rate at this time, noting that the removal of the resolution period and reiteration of existing best practice guidance should reduce the level of agency MBS settlement fails.
 - The Group agreed to recommend that the revised trading practice apply to transactions in agency MBS entered into on or after July 1, 2013, as well as to transactions that were entered into prior to, but remain unsettled as of, July 1, 2013. It was noted that this implementation timeline should provide sufficient time for market participants to make related operational adjustments and should minimize the impact on outstanding trades.

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- The Group reviewed a draft statement announcing the revision to the agency MBS fails charge trading practice, and agreed to release the [statement](#) the following morning.
 - Finally, the TMPG agreed to continue to monitor agency MBS settlement fails and consider adjusting the recommended fails charge rate, or taking other actions in the future, if necessary.
- The Group then discussed proposals aimed at achieving more timely three-way confirmation in the tri-party repo market:
- Members discussed possible elements that might be included in a trading practice recommendation on tri-party repo trade confirmation and matching, which would build upon the [guidance](#) published by SIFMA in November 2012. In general, members expressed support for a potential recommendation that all tri-party repo trades conducted before 3:00 PM should be matched and confirmed by 3:00 PM, and that any tri-party repo trades executed after 3:00 PM should be matched and confirmed within 15 minutes.
 - Members also discussed a potential recommendation that the vast majority of total daily tri-party repo transactions should be executed, matched and confirmed by 3:00 PM. Additionally, members expressed support for a potential recommendation that trade cancellations and corrections should occur rarely and for operational purposes only, and should be routinely monitored by senior desk management and compliance staff.
 - The Group agreed to discuss and finalize the recommendations in the near future.
- The Group then turned to discuss feedback received on the TMPG’s best practice recommendation to [margin forward-settling agency MBS transactions](#), announced on November 14, 2012:
- Members of the TMPG margining working group briefly highlighted concerns relayed by SIFMA members on the recommended implementation date of early June 2013, and the definition of “forward-settling” agency MBS transactions for purposes of the best practice recommendation.
 - Members discussed the operational challenges and legal resources needed to meet the recommended implementation date. Several members expressed concern that although some market participants may make substantial progress in implementing the practice with counterparties by early June, substantial compliance with the practice may not be achievable within that time frame for some participants.
 - The Group also discussed the scope of the recommended practice with regards to the forward-settling classification for agency MBS transactions, and acknowledged that there were benefits to providing more clarification on when different agency MBS transaction-types should be subject to margin.
 - A few members noted that centralized solutions for reporting and processing margin are being discussed in the market. It was noted that while these initiatives may help

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- ease operational requirements, it is unlikely that the solutions would be ready for implementation by early June.
 - o Members agreed to further discuss these issues at the next meeting.
- The next TMPG meeting will take place as a teleconference meeting on Wednesday, March 27, from 3:00-4:00 PM.

TMPG Teleconference Meeting Minutes – February 15, 2013

TMPG attendees

Daniel Dufresne (Citadel)	Curt Hollingsworth (Fidelity)	Joerg Stephan (Deutsche Bundesbank)
John Fath (BTG Pactual)	James Hraska (Barclays Capital)	Mark Tsesarsky (Citigroup)
Michael Garrett (Wellington)	Murray Pozmanter (DTCC)	Stu Wexler (ICAP)
Beth Hammack (Goldman Sachs)	Gerald Pucci (BlackRock)	Tom Wipf (Morgan Stanley)

FRBNY attendees

David Finkelstein	Peggy Kauh	Janine Tramontana
Josh Frost	Frank Keane	Nate Wuerffel

- On February 15, the TMPG held a brief teleconference meeting to discuss the advantages and disadvantages of potential changes to the TMPG's fails charge trading practice recommendations for agency MBS, including eliminating the two-day resolution period and changing the level of the recommended fails charge rate.
- o The Group agreed to continue the discussion at its regularly scheduled February 28th meeting.