

## **TMPG Meeting Minutes**

*November 7, 2017*

### TMPG attendees

Lisa Black (TIAA Investments)	Ari Kavour (Wells Fargo)	Ryan Sheftel (GTS)
Dan Dufresne (Citadel)	Sheryl King (Bank of Canada)	James Slater (BNY Mellon)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	Stu Wexler (NEX Group)
Mike Garrett (Wellington)	Giuseppe Nuti (UBS)	Thomas Wipf (Morgan Stanley)
Beth Hammack (Goldman Sachs)	Sandie O'Connor (JP Morgan Chase)	
Gary Kain (AGNC Investment Corp)	Murray Pozmater (DTCC)	

### FRBNY attendees

Michelle Ezer	Lorie Logan	Ben Snodgrass
Josh Frost	Radhika Mithal	Carolyn Windover
Frank Keane	Brett Rose	Nate Wuerffel

### TMPG Clearing & Settlement Working Group attendees

Edward Corral (Morgan Stanley)	Mark Trivedi (JP Morgan Chase)
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### U.S. Department of Treasury attendee

Fred Pietrangeli

- The meeting commenced with a welcome to new member Lisa Black from TIAA Investments. Members also reviewed the tentative schedule for 2018 meetings.
- The co-chairs of the working group on clearing and settlement informed members that a draft white paper continues to be refined and that maps illustrating the clearing arrangements for government securities transactions are progressing. One of the co-chairs introduced two members of the working group who walked the TMPG members through a few draft clearing maps and highlighted points of risk in the process. In the ensuing discussion, the TMPG members provided their feedback and asked the working group to continue refining the maps and the white paper.
- Next, the chair of the working group on the 10-year anniversary initiatives provided a debrief on the TMPG's conference on October 5 and the breakout session on TMPG best practices at the SIFMA annual meeting. Members observed that both events raised awareness about the TMPG and its mission to develop best practices across a diverse set of market participants and generated positive feedback. The chair of the working group requested that members suggest additional venues to increase awareness and promote adoption of TMPG best practices.
- FRBNY staff informed TMPG members about an inquiry received from a market participant requesting clarification on whether it would be consistent with [TMPG Best Practices](#) if a participant failed to deliver on an existing delivery obligation in order to enter into another

transaction at a price above the cost of failing. It was noted that such a transaction would be profitable because the cost of failing on the pre-existing delivery obligation would be lower than the revenue received in the new transaction. The group agreed that such a practice would not be consistent with the TMPG best practice guidance, specifically the recommendation that “Market participants should avoid trading strategies designed to profit from settlement fails.” The TMPG agreed that this principle applies generally although it appears under the “Managing Large Positions with Care” section of the best practices document.<sup>1</sup>

The TMPG noted the narrowness of this clarification; that is, while members agreed that intentionally failing on an existing trade in order to enter into a new trade was *not* consistent with TMPG best practice, the group agreed that there was no conflict with best practices if a market participant entered into a transaction through the fails charge level with the intention to make good on its delivery obligations.

Members directed the settlement fails working group to further study the issue of trading through the fails charge. The working group was formed to better understand the root causes for the observed rise in frictional fails in seasoned securities and for fails in the benchmark securities.

- Next, the TMPG members heard a summary of feedback received on the proposed best practice guidance on information handling published for comment on [August 15](#). The feedback received included requests for greater clarity around the proposed recommendation that market participants share their practices on handling confidential information with their counterparties and engage their counterparts on how they handle their confidential information; the need for flexibility to allow for different formulations of internal policies and procedures by differently situated market participants; and requests for clarity on certain illustrative examples. The TMPG asked the working group to discuss these comments and consider modifications to the proposed practices that might address them. Members agreed to review and finalize the updated best practice recommendations at a future meeting and determine a publication date.
- Finally, the TMPG briefly discussed recent market developments including reactions to changes in the Federal Reserve’s reinvestment policy; reactions to the October/November FOMC meeting and future policy expectations; expectations for tax legislation; and the Alternative Reference Rates Committee’s recent [roundtable](#) on its recommendation of a robust alternative rate for U.S. dollar LIBOR and its paced transition plan.
- The next TMPG meeting is scheduled to take place on December 18<sup>th</sup>, 2017, from 3:00-5:00 PM.

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<sup>1</sup> See page 6 of [TMPG Best Practices for Treasury, Agency Debt, and Agency MBS Markets](#).