

## TMPG Meeting Minutes

September 26, 2017

### TMPG attendees

Dan Dufresne (Citadel)	Sheryl King (Bank of Canada)	Ryan Sheftel (GTS)
Deirdre Dunn (Citigroup)	Edward McLaren (Bank of America)	Stu Wexler (NEX Group)
Mike Garrett (Wellington)	Sandie O'Connor (JP Morgan Chase)	Thomas Wipf (Morgan Stanley)
Beth Hammack (Goldman Sachs)	Murray Pozmater (DTCC)	
Ari Kavour (Wells Fargo)	Jerry Pucci (BlackRock)	

### FRBNY attendees

Michelle Ezer	Lorie Logan	Janine Tramontana
Michael Fleming	Radhika Mithal	Carolyn Windover
Josh Frost	Simon Potter	Nate Wuerffel
Frank Keane	Brett Rose	

### U.S. Department of Treasury attendee

Fred Pietrangeli

- The meeting commenced with the Chair welcoming the new TMPG Secretariat member, Carolyn Windover.
- As a follow-up to its [June meeting discussion](#), the TMPG briefly discussed the delay in the effective date for implementation of the amendment to Financial Industry Regulatory Authority (FINRA) rule 4210 as well as additional [FAQs](#) recently published by FINRA.<sup>1</sup> Members noted they are continuing their efforts to complete onboarding clients and other system changes necessary for complying with the rule. The TMPG agreed to continue monitoring progress and to potentially consult with industry groups on ways to enhance preparedness to implement the rule.
- The TMPG Secretary updated members that the two-month public consultation for TMPG's [proposed information handling best practices](#) would close on October 15. It was noted that the proposed guidance would be discussed by a panel at the upcoming October 5 conference commemorating the TMPG's 10<sup>th</sup> anniversary, providing an additional opportunity to get feedback.
- In discussing settlement fails, Fed staff observed that four of the last seven benchmark 10-year notes have episodically traded through the fails charge during the first month of their on-the-run life cycles when the size of the issue is substantially smaller than the prior benchmark 10-

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<sup>1</sup> The amendment to FINRA's [Rule 4210](#) requires broker dealers to exchange collateral for forward settling transactions including TBAs, specified pool transactions and collateralized mortgage obligations. SEC's decision approving FINRA's request for delay is available [here](#).

year note. Members discussed why market participants may sometimes be willing to pay a price higher than the fails charge to borrow the benchmark security. Some of the possible reasons cited included: the need to deliver securities to certain counterparts (who have no tolerance for fails), compliance with TMPG best practice recommendation to deliver securities when due, balance sheet cost lowering bank dealers' willingness to intermediate in collateral markets, and a discrete drop in the size and supply of the benchmark 10-year during the first month of its on-the-run life cycle. The TMPG agreed to form a group to study trends in Treasury settlement fails in both seasoned securities and benchmark securities.

- Next, the chair of the working group on the 10-year anniversary initiatives provided an update. The chair noted that preparations for the October 5 TMPG conference [TMPG Best Practices @ 10: A Look Back and a Look Ahead](#) were well underway. Members were informed that speakers and panelists had confirmed their participation and a diverse set of market participants had registered for the conference.<sup>2</sup>

The working group chair informed members that the TMPG will have a breakout session at the [SIFMA Annual Meeting](#) on October 24. The aim of the panel, made up of TMPG members, will be to raise awareness and promote adoption of the TMPG best practices, highlight issues of common interest, and encourage market participants to engage with the TMPG. The chair also informed members about recent New York Fed publications – a [Staff Report](#) and a [Liberty Street Economics blog post](#) – on the TMPG's creation and its first decade.

- The co-chairs of the working group on clearing and settlement in government securities markets informed the TMPG that the working group continues to iterate drafts of a white paper that describes common clearing and settlement arrangements and invited members to provide comments to the current draft. The co-chairs also shared a preliminary draft of certain potential risks in the current clearing and settlement arrangements. In the ensuing discussion, members provided feedback on the potential risks, contemplated recommended practice improvements, and asked the working group to continue refining the analysis.
- Finally, the TMPG discussed recent market developments including reactions to the September FOMC and future policy expectations, lessons learned ahead of the three month suspension of the debt ceiling and expectations for the impact in Treasury and MBS markets in response to the announced changes in the Federal Reserve's reinvestment policy.
- The next TMPG meeting is scheduled to take place on Tuesday, November 7<sup>th</sup>, 2017 from 3:00-5:00 PM.

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<sup>2</sup> See Governor Jerome Powell's keynote remarks [here](#) and the conference agenda and list of participants [here](#).