

May 4, 2016

TMPG Supports Industry Recommendation to Use Benchmarks Consistent with International Best Practices

The Treasury Market Practices Group (TMPG) supports the Risk Management Association (RMA) and the Securities Industry and Financial Markets Association's (SIFMA) recommendation (available [here](#)) to replace the use of the ICAP Fed Funds Open (FFO) as a financial indicator with a rate that is more consistent with international best practice recommendations.

In February 2016, the TMPG updated its [Best Practices for Treasury, Agency Debt and Agency Mortgage Backed Securities Markets](#) by incorporating recommendations to address the use of financial benchmarks in TMPG-covered markets. The TMPG considers it essential for market participants to understand and manage the risks around the use of benchmarks, and to choose financial benchmarks that are compliant or consistent with IOSCO [Principles for Financial Benchmarks](#) (IOSCO Principles). The TMPG also released a supporting document that described how selected financial indicators, including the FFO, are used in TMPG-covered markets and helped inform the best practice guidance to address the use of benchmarks (available [here](#)). As noted in the document, ICAP, the publisher of the FFO, does not consider the FFO to be a benchmark under the IOSCO Principles yet it is utilized by market participants as if it did have the attributes of a benchmark. Since then, the TMPG has worked with the RMA and SIFMA to advance the replacement of the FFO with benchmarks that are compliant or consistent with the IOSCO Principles. ICAP has indicated that it intends to cease publishing the FFO effective July 27, 2016.

“Using benchmarks that comply or are consistent with the IOSCO Principles is a TMPG best practice. The TMPG appreciates the leadership of the RMA and SIFMA in identifying a benchmark for pricing and performance reporting purposes that is consistent with the IOSCO Principles,” said Tom Wipf, Chair of the TMPG.

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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 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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