

TMPG Teleconference Meeting Minutes

March 27, 2013

TMPG attendees

Art Certosimo (BNY Mellon)	Jim Hraska (Barclays)	Mark Tsesarsky (Citigroup)
Daniel Dufresne (Citadel)	Murray Pozmanter (DTCC)	Stu Wexler (ICAP)
John Fath (BTG Pactual)	Gerald Pucci (BlackRock)	Tom Wipf (Morgan Stanley)
Michael Garrett (Wellington)	Joerg Stephan (Deutsche Bundesbank)	
Curt Hollingsworth (Fidelity)	Nancy Sullivan (BNY Mellon)	

FRBNY attendees

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

- The meeting commenced with a discussion of 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 highlighted feedback received from market participants regarding the recommended implementation date of early June 2013, the best practice’s scope, and the definition of “forward-settling” agency MBS transactions for purposes of the practice.
 - Given the operational challenges and legal resources needed to implement the margining practice recommendation, members agreed that it would be appropriate to recommend that market participants make significant progress towards margining forward-settling agency MBS exposures by early June 2013 and substantially complete the process by December 31, 2013. The Group also agreed to recommend a risk-based approach whereby market participants should continue to implement the practice recommendation on a rolling basis and prioritize their most material exposures.
 - The Group also agreed that there were benefits to providing more clarification on the practice’s recommended scope and when different agency MBS transaction-types should be subject to margin. Members agreed that the margining practice, at a minimum, should apply to four broad categories of agency MBS transactions: To-Be-Announced (TBA), specified pool, adjustable-rate mortgage (ARM), and collateralized mortgage obligation (CMO) transactions. Further, the Group agreed that margining should be applied based on the type of agency MBS transaction and the existing market trading and settlement conventions for each transaction type. As such, the Group decided to recommend that TBA, specified pool and ARM transactions, at a minimum, should be margined when the difference between trade date and contractual settlement date is greater than one business day; and CMO transactions, at a minimum, should be margined when the difference between trade date and contractual settlement date is greater than three business days.
 - The Group then agreed to release a [statement](#) announcing the updates to the agency MBS margining recommendation, and to revise the frequently asked questions for margining agency MBS transactions.

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- Members noted that some industry solutions for reporting and processing margin, which could help ease the operational requirements for implementing a margining practice, were under development.
 - The Group agreed to continue to monitor market participants' progress with implementing the agency MBS margining recommendation.
- The Group then turned to discuss proposals aimed at achieving more timely three-way confirmation in the tri-party repo market:
- Members continued their discussion from the [prior meeting](#) on 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.
 - The Group broadly agreed that all tri-party repo trades should be matched and confirmed in a timely manner. In particular, 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 by 3:00 PM. Additionally, members conveyed their support for a potential recommendation that trade cancellations and corrections should occur rarely and only as a result of operational errors or other mistakes made in good faith, and should be escalated for review by senior desk management and compliance staff, with particular focus on any occurrences after 3:00 PM.
 - Some members commented that these potential best practice recommendations would continue to minimize risk in the tri-party repo market and support an orderly start to the tri-party repo settlement process at 3:30 PM.
 - The Group agreed to further discuss these issues at the next meeting, and briefly discussed the possibility of issuing a recommendation at an upcoming meeting.
- The Group then discussed feedback received on the TMPG's [announcement](#) released on March 1, 2013 to modify the agency MBS fails charge trading practice by removing the two-day resolution period from the practice:
- Members noted that reaction to the announcement was fairly muted as market participants had widely anticipated the resolution period's removal.
 - Members agreed to continue to closely monitor agency MBS settlement fails and consider adjusting the recommended fails charge rate, or taking other actions in the future, if necessary.
- The next TMPG meeting will take place on Thursday, April 18, from 4:00-6:00 PM.