



TMPG | Treasury Market Practices Group

Treasury Market Practices Group

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Overview

- ▶ Established: February 2007, initially focused on the Treasury market but expanded scope in March 2010 to include agency debt and agency MBS markets
- ▶ Mandate: Support the integrity and efficiency of the Treasury, agency debt and agency MBS markets
 - ▶ Develops and promotes best practices related to trading, settlement and risk management activities
 - ▶ Discusses new developments and practices and provides insights to New York Fed on conditions in TMPG-covered markets
- ▶ Activity: Meet regularly (eight to nine times per year) with ad hoc conference calls
- ▶ Transparency: Meeting agendas, minutes, and announcements posted on TMPG website in a timely manner
- ▶ Communication: The Group's chair represents and communicates the views of the TMPG as a whole

TMPG Structure

- ▶ Sponsored by the New York Fed which selects members and designates a Chair
- ▶ Members are senior business managers and legal and compliance professionals from a variety of institutions, including securities dealers, banks, buy-side firms and market utilities
- ▶ Secretariat is staffed by the New York Fed
 - ▶ Maintains the official repository of TMPG documents, including agendas, minutes, and public communications
- ▶ TMPG may establish standing subcommittees or working groups to focus on specific issues
 - ▶ Chair appointed for subcommittee or working group
 - ▶ Periodically, non-members may be invited to provide subject matter expertise

Current Members

CURRENT MEMBERS

Thomas Wipf, Chair

Morgan Stanley

Jim Hraska

Barclays Capital

Sandra O'Connor

JPMorgan Chase

Julia Coronado

Graham Capital Management

Gary Kain

American Capital Agency

Murray Pozmanter

Depository Trust & Clearing Corp

Dan Dufresne

Citadel Investments

Ari Kavour

Wells Fargo Securities

Gerald Pucci

BlackRock

Deirdre Dunn

Citigroup Global Markets

Edward McLaren

Bank of America Merrill Lynch

Kourtney Ratliff

Loop Capital Markets

Michael Garrett

Wellington Management

Steven Meier

State Street Global Advisors

James Slater

Bank of New York Mellon

Beth Hammack

Goldman Sachs

Giuseppe Nuti

UBS Americas

Stuart Wexler

ICAP North America

FEDERAL RESERVE BANK OF NEW YORK (EX-OFFICIO)

Michelle Ezer

Markets Group

Lorie Logan

Markets Group

Janine Tramontana

Counsel

Joshua Frost

Markets Group

Radhika Mithal

TMPG Secretary

Nathaniel Wuerffel

Markets Group

Frank Keane

Markets Group

Simon Potter

Markets Group

U.S. TREASURY DEPARTMENT (EX-OFFICIO)

James Clark

Office of Financial Markets

TMPG Membership Matrix

- ▶ Composition of the TMPG is broad in terms of types of firms and expertise represented
 - ▶ Brings to bear a diversity of perspectives on the design of best practices, making them more effective

Types of firms	Types of expertise
Buy-side	Repo/sec lending
Sell-side	Treasury
Money fund	Agency MBS
Market infrastructure	Operations
Small/diverse firm	Economist
Central bank	Legal /Compliance

Membership Responsibilities

- ▶ Capacity to recognize strategic opportunities to improve the stability, efficiency, and integrity of these markets
- ▶ Sufficient authority to engage their firms' senior management, to marshal resources to support the TMPG's activities, and to muster their institutions' endorsement of proposed actions, best practices or other recommendations
- ▶ TMPG members are expected to work to support the overall integrity and efficiency of the covered markets, and not their own individual or institutions' interests
- ▶ Bring appropriate issues to the Group's attention and contribute as appropriate to the Group's discussion and work
- ▶ Participate actively in TMPG work and provide the resources to support the Group's projects and general needs
- ▶ Attend each regularly scheduled Group meeting in person

Antitrust Guidelines

- ▶ **TMPG has a number of procedures to help maximize compliance with the letter and spirit of antitrust laws and promote transparency, consistency and fairness in TMPG proceedings**
 - ▶ Meeting agendas, recorded minutes, official records maintained by Secretariat
 - ▶ Presence of an attorney at all TMPG meetings
- ▶ **Best practices, one of the most important activities of the TMPG, are permissible activities so long as:**
 - ▶ Recommendations do not have the purpose or effect of eliminating competition in the pricing of products or services
 - ▶ Recommendations enhance the efficiency, stability and integrity of the market and discourage practices that have a detrimental effect on customers
- ▶ **Members, and any of their colleagues, involved in working group discussions, must annually reaffirm adherence to the TMPG Charter and Antitrust Guidelines. Individuals from non-TMPG firms invited to provide expertise also required to affirm adherence to TMPG Antitrust Guidelines.**

TMPG Work

- ▶ **Best Practice recommendations:** Intended to serve as guidelines, rather than binding rules or regulatory guidance, for any market participant active in the wholesale Treasury, agency debt, and agency MBS markets
 - ▶ Promoting market making and liquidity
 - ▶ Maintaining a robust control environment
 - ▶ Managing large positions with care
 - ▶ Promoting efficient market clearing
- ▶ **Key initiatives**
 - ▶ Use of financial benchmarks in TMPG-covered markets
 - ▶ Automated trading
 - ▶ Margining of agency MBS transactions
 - ▶ Timely trade confirmation in the tri-party repo market
 - ▶ Fails charge for settlement fails in Treasury, agency debt and agency MBS securities

TMPG Work is Issue Based

- ▶ TMPG best practice recommendations are intended to address identifiable problems, and are typically high level principles accompanied by clarifying examples. For instance:
 - ▶ **All market participants should behave in a manner that supports market liquidity.**
 - ▶ Examples of strategies to avoid include...those that cause or exacerbate settlement fails, those that inhibit the provision of liquidity by other, those that restrict the floating supply of a particular issue, and those that give a false impression of market price, depth or liquidity.
 - ▶ **A market participant may amass a particularly large long or short position in a specific Treasury, agency debt, or agency MBS issue or product. A market participant should manage that position with heightened vigilance, mindful of the need to support market liquidity.**
 - ▶ Market participants should avoid any strategies that create or exacerbate settlement fails.
 - ▶ Firms should adopt a strong presumption against using relatively more expensive funding arrangements to finance large portions of an issue trading deeply special, even on an overnight basis.
 - ▶ Market participants with large short positions should make deliveries in good faith.
 - ▶ When evaluating trading strategies for large positions, market participants should take care that sudden changes in those strategies do not adversely affect the liquidity or settlement of the Treasury, agency, or agency MBS issue in the marketplace.
 - ▶ Management and compliance functions should be alerted as soon as possible about particularly large positions—long and short—taken by a trading desk and, depending on the circumstances of a given situation, early escalation to the legal department may also be appropriate.

Recent Work – Benchmarks

- ▶ The TMPG developed a set of best practice recommendations related to the use of benchmarks in TMPG covered markets informed by:

- ▶ IOSCO Principles for Financial Benchmarks,
- ▶ FSB's FX Benchmarks,
- ▶ FX Committees' Global Preamble and
- ▶ Bank of England's Fair and Effective Markets Review

and based on an examination of the three case studies

- ▶ BrokerTec's 10am Repo Average,
- ▶ Bloomberg Barclays U.S. Aggregate Index and
- ▶ ICAP's Fed Funds Open

Recent Work – Benchmarks

- ▶ **TMPG released best practices to address the use of financial benchmarks that recommended market participants to:**
 - ▶ Have a thorough understanding of how financial benchmarks they use are constructed and the vulnerabilities that may exist in its usage
 - ▶ Use financial benchmarks that comply with or are consistent with IOSCO principles or to develop plans over time to move to such benchmarks
 - ▶ Carefully evaluate whether financial benchmarks they use are fit for the purpose for which they are being used
 - ▶ Establish internal guidelines and procedures for executing and risk management when managing against benchmarks or engaging in transactions that reference benchmarks, including transactions conducted at to-be-determined levels
 - ▶ Have clear policies and procedures in place for ensuring that information contributed for setting of benchmarks is not misused

Current Work – Information Handling

- ▶ The TMPG has recently undertaken work to develop best practice guidance around information handling for all market participants in the covered markets
- ▶ The Committee is reviewing existing guidance on information handling and confidentiality of information from several sources to inform its work
 - ▶ BIS FX Global Code,
 - ▶ Bank of England's Fair and Effective Markets Review and
 - ▶ FSB's FX Benchmarks
- ▶ The TMPG is also examining scenarios around information use and handling, including those related to clear and accurate communication on information sharing policies, disclosure of confidential client information, sharing of trade ideas and market color, and execution practices

Adoption of Best Practices

- ▶ Best practices are intended for all market participants (buy-side, sell-side, custodians, large and small firms, and market utilities)
- ▶ All New York Fed primary dealers are expected to adopt and implement TMPG best practices
- ▶ TMPG works with industry groups such as SIFMA (for fails charge and margining) and FIA (for automated trading) to encourage wider adoption of its practices

Drivers for Success and Challenges

- ▶ **What has worked**
 - ▶ Tackling long-established practices and conventions
 - ▶ Helping resolve collective action problems with industry support
 - ▶ Focusing on “live-wire” issues that market participants may be reluctant to handle
 - ▶ Central bank sponsored group; a public-private partnership
 - ▶ Interaction with industry groups and regulators
 - ▶ Developing effective best practices
- ▶ **Challenges**
 - ▶ Engaging smaller segments of the market
 - ▶ Voluntary nature of best practices
 - ▶ Time and commitment required to change practices

For Additional Information

- ▶ Please visit the TMPG website:
 - ▶ <http://www.newyorkfed.org/tmpg>