

April 18, 2019

## **TMPG Seeks Comment on Proposed Best Practice Recommendations on Clearing and Settlement**

The Treasury Market Practices Group (TMPG) is proposing updates to its *Best Practices for Treasury, Agency Debt and Agency Mortgage-Backed Securities Markets* to incorporate recommendations supporting efficient clearing and settlement in these markets. The proposed best practice recommendations address several risk and resiliency issues identified by TMPG members in the consultative [White Paper on Clearing and Settlement in the Secondary Market for U.S. Treasury Securities](#) published in July 2018.

Following the publication of the White Paper, the TMPG conducted outreach to a diverse set of industry groups and market participants and incorporated the feedback to propose several best practice recommendations. The proposed best practice recommendations are across two broad areas:

- Increase attention to counterparty risks in the clearing and settlement process, including:
  - understand the role of various entities in the clearing process;
  - understand whether a counterparty is acting as principal or agent in a trade;
  - use the appropriate set of tools to manage counterparty risk;
  - understand the depth, breadth, and durability of any credit enhancements provided; and
  - be attentive to potential liquidity needs, particularly in contingent events.
- Strengthen clearing-and-settlement-related operational resiliency, planning, and processes, including:
  - periodically evaluate all clearing options available;
  - plan for potential lack of access to service providers and critical trading venues as well as clearing and settlement services;
  - recognize that operational disruptions may have systemic implications; and
  - ensure that trade matching and block allocations occur as close to real time as possible and, at a minimum, by the end of trade date.

The TMPG identified certain clearing and settlement issues that are outside the remit of the group's best practices and where the TMPG believes a further review by public- and private-sector stakeholders other than the TMPG is warranted. A discussion of the proposed TMPG best practice recommendations and issues for stakeholders other than the TMPG is provided in the accompanying [note](#). The TMPG requests market participants review the note and provide comments on the best practice recommendations and areas for further review contained within.

The logo for the Treasury Market Practices Group (TMPG) is displayed against a dark blue background. The background features a stylized image of a building's facade with a grid of windows and a calendar strip showing the numbers 23 and 30. The text "TMPG | Treasury Market Practices Group" is written in a white, serif font.

# TMPG | Treasury Market Practices Group

“The TMPG was encouraged by the response we received to the White Paper and our related market outreach efforts. I believe this paper has helped to increase awareness among market participants of the risks that exist in contingent circumstances in what are typically benign post-trade processes and which can potentially create stress in the systemically important Treasury market. The TMPG is proposing guidance to address some of the risk and resiliency issues that are within TMPG’s remit, and also issuing a call to action to other market stakeholders to address issues that best practices alone cannot address. I encourage all market participants to carefully review the TMPG’s work and contemplate their role in addressing these risks, provide feedback and take constructive action,” said Tom Wipf, Chair of the TMPG.

Members of the public may submit comments by **June 17, 2019** to [tmpg@ny.frb.org](mailto:tmpg@ny.frb.org). The TMPG expects to release the updated best practice recommendations in the weeks following the conclusion of this comment period.

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*About the Treasury Market Practices Group:*

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](http://www.newyorkfed.org/tmpg)

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