

TMPG White Paper and Best Practice Recommendations for U.S. Treasury Repo Risk Management

June 12, 2025



Agenda

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 - Non-Centrally Cleared Bilateral Repo Risk Management Working Group
 - Consultative White Paper and Proposed Best Practices
 - Industry Outreach & Feedback
 - Final Best Practice Recommendations
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TMPG Overview

- The Treasury Market Practices Group (TMPG) was founded in 2007 and is designed to strengthen the integrity and efficiency of the Treasury, agency debt, and agency mortgage-backed securities markets by promoting market best practices.
 - Combined, these TMPG-covered markets, represent markets in which the New York Fed implements monetary policy.
- The TMPG is composed of senior business leaders and legal and compliance professionals from various institutions, including dealers, banks, buy-side firms, financial market utilities, and other foreign central banks (*see Appendix I - Current TMPG members*).
- New York Fed and U.S. Department of Treasury representatives also serve as ex-officio members and technical advisors on the TMPG.

TMPG Overview – cont'd

- The TMPG develops and maintains best practice recommendations which seek to promote good market conduct in support of the integrity and efficiency of the covered markets.
- TMPG best practice recommendations are updated as needed over time to maintain applicability in these markets.
- TMPG best practice recommendations serve as guidelines, rather than binding rules or regulatory guidance. However, while they are not legally mandated and do not have the force of law, they are often broadly adopted.

Non-Centrally Cleared Bilateral Repo (NCCBR) Risk Management Working Group

- The NCCBR Working Group was established in 2023 to study risk management practices around non-centrally cleared bilateral repo, a follow-up effort related to findings from the TMPG's 2019 [*White Paper on Clearing and Settlement in the Secondary Market for U.S. Treasury Securities*](#) and 2022 [*White Paper on Clearing and Settlement in the Market for U.S. Treasury Secured Financing Transactions*](#).
- The NCCBR Working Group included representation from a cross-section of Treasury market participants including dealers, money funds, hedge funds, asset managers, financial market utilities, clearing banks, foreign central banks, along with staff from the U.S. Department of Treasury and the Federal Reserve Bank of New York.

Consultative White Paper and Proposed Best Practices

- On February 26, 2025, the TMPG requested public comment on:
 - Consultative White Paper [*Non-Centrally Cleared Bilateral Repo and Indirect Clearing in the U.S. Treasury Market: Focus on Margining Practices*](#). The paper identified the following key findings:
 - The NCCBR segment lacks transparency and consistency in risk management practices.
 - The use of haircuts in the NCCBR segment is fairly low.
 - Competitive pressures could be driving risk management to be a commercially negotiated term.
 - Large volumes of repos executed without appropriate haircuts could pose systemic risks to overall functioning of the Treasury repo market, if one or more market participants were to default.
 - For dealer-to-client repos that are indirectly centrally cleared, the dealer is often fully contributing the initial and variation margin required by the CCP.
 - [*Proposed best practices on Treasury repo risk management*](#), recommending that all Treasury repo should include prudent haircuts (or margin) on the value of the securities, in concert with other risk management techniques.
 - A set of [*Frequently Asked Questions*](#) that provides further guidance on the proposed best practice recommendations.

Industry Outreach and Feedback

- Public outreach efforts to raise awareness and solicit feedback included a combination of social media posts and drop-in calls.
- The TMPG received substantial feedback from market participants, industry groups, and trade associations. Key themes included:
 - Greater emphasis on risk management techniques other than haircuts;
 - Greater clarity on legal documentation;
 - Lengthy recommended implementation timeline.
- Following the comment period and incorporating the feedback received, on May 22nd, the TMPG has published final versions of the white paper, best practice recommendations, the FAQs, and a recommended implementation timeline.

Final Best Practice Recommendations

- Consistent with appropriate risk management of counterparty exposures, all Treasury repurchase agreements (repos) should be prudently risk managed. This includes the application of haircuts (or margin) on the value of the securities, in concert with other risk management techniques, as appropriate.
 - Haircuts (or margin) and other risk management techniques, taken as a whole, should protect against counterparty credit risk, as well as the liquidity and market risks of the transaction.
 - Haircuts (or margin) can be applied together with other risk management tools, such as position limits, netting agreements, and/or portfolio margining, and should be supported by a robust risk management framework and a complete set of legally enforceable written agreements.

Final Best Practice Recommendations – cont'd

- Documentation – whether in the form of legal agreements, trade confirmations, policies, disclosures, forms, or some combination thereof, which is understood and agreed in advance or at the time of trade - should describe, in all material respects, the margining regime, including timing, frequency, and thresholds of margin calls and exchanges; valuation of exposures and collateral; and close out netting and liquidation in case of counterparty default.
- For trades with maturities longer than overnight, to help both parties mitigate counterparty risk owing to market value changes, variation margin should be exchanged by the counterparties to the transaction on a regular basis as necessary, in the context of the overall risk management framework.
- In addition, market participants facilitating central clearing for clients should ensure that all aspects of that activity are well risk managed, including any bilateral risks that the client may pose to the participant facilitating central clearing. (*Risk Management*)

Implementation Timeline

- The TMPG is recommending that market participants use a *risk-based* approach to implementation, where market participants implement the best practice recommendations on a *rolling basis* and prioritize their material counterparty exposures by June 2026.
- The TMPG is recommending an extended implementation period for the U.S. Treasury repo risk management best practice, recognizing other demands on the industry due to the expansion of central clearing in the U.S. Treasury market.

Appendices

Appendix I - Current TMPG Members

CURRENT MEMBERS

Casey Spezzano, Chair
NatWest Markets

Matthew Franklin-Lyons
J.P. Morgan

Adam Nunes
Hudson River Trading

David Finkelstein, Vice Chair
Annaly Capital Management

Doug Friedman
Tradeweb

Gerald Pucci
BlackRock

Alberto Antonini
Tudor Investment Corp

Lara Hernandez
Mirae Asset Securities

Marc Seidner
PIMCO

Richard Chambers
Goldman Sachs

Makoto Kasai
Bank of Japan

Suzanne Sprague
CME Group

Qing Chen
Morgan Stanley

Laura Klimpel
Depository Trust &
Clearing Corporation

Nate Wuerffel
BNY

Debbie Cunningham
Federated Hermes

Serena Lin
Mizuho Securities

David Flowerdew
Millennium Management

John Madziyire
Vanguard

FEDERAL RESERVE BANK OF NEW YORK (EX-OFFICIO)

Agata Zhang
TMPG Secretariat

Eric Lewin
Legal Group

Brett Rose
Markets Group

Ellen Correia Golay
Markets Group

Anna Nordstrom
Markets Group

Vinuthna Kovvuri
Markets Group

Roberto Perli
Markets Group

U.S. TREASURY DEPARTMENT (EX-OFFICIO)

Brian Smith
Deputy Assistant Secretary
Federal Finance

Appendix II – Resources

- [White Paper Non-Centrally Cleared Bilateral Repo and Indirect Clearing in the U.S. Treasury Market: Focus on Margining Practices \(May 2025\)](#)
- [Recommended Best Practices on Treasury Repo Risk Management \(May 2025\)](#)
- [Frequently Asked Questions \(FAQs\): Treasury Repurchase Agreement Risk Management \(May 2025\)](#)
- [White Paper Clearing and Settlement in the Market for U.S. Treasury Secured Financing Transactions \(Nov. 2022\)](#)
- [White Paper Clearing and Settlement in the Secondary Market for U.S. Treasury Securities \(Jul. 2019\)](#)
- [The Treasury Market Practices Group: A Consequential First Decade \(Sep. 2017\)](#)