Opening Remarks by Nellie Liang

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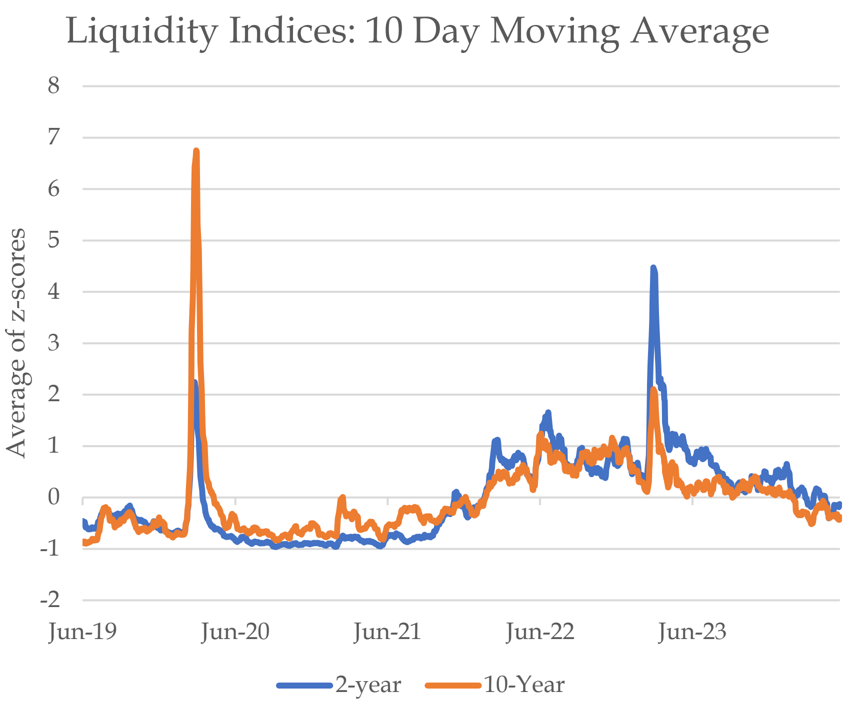
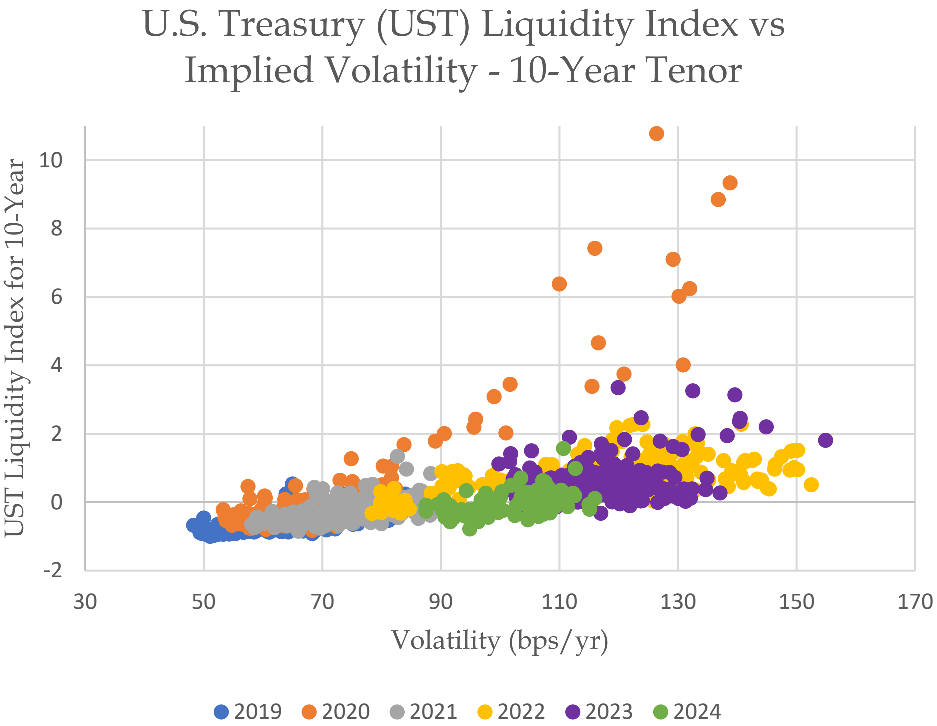
NBFIs and Systemic Risk

- NBFIs need access to liquidity in stress
- Liquidity can come from commercial banks or from selling Treasuries or other securities in the market
  - When banks and markets can't or won't provide liquidity to NBFIs, the official sector may feel compelled to respond
  - Responses are costly, creating a need for macroprudential policies
- Acharya et al. (2024) highlight the centrality of commercial banks as liquidity providers
- Treasury markets also are central to liquidity and financial stability

Treasury Market Liquidity and Yield Volatility





Notes: Index inputs are bid-ask, inverted depth, and price impact. For each security, calculated as a simple average of 3 year rolling z-scores for each input.

Source: U.S. Department of the Treasury

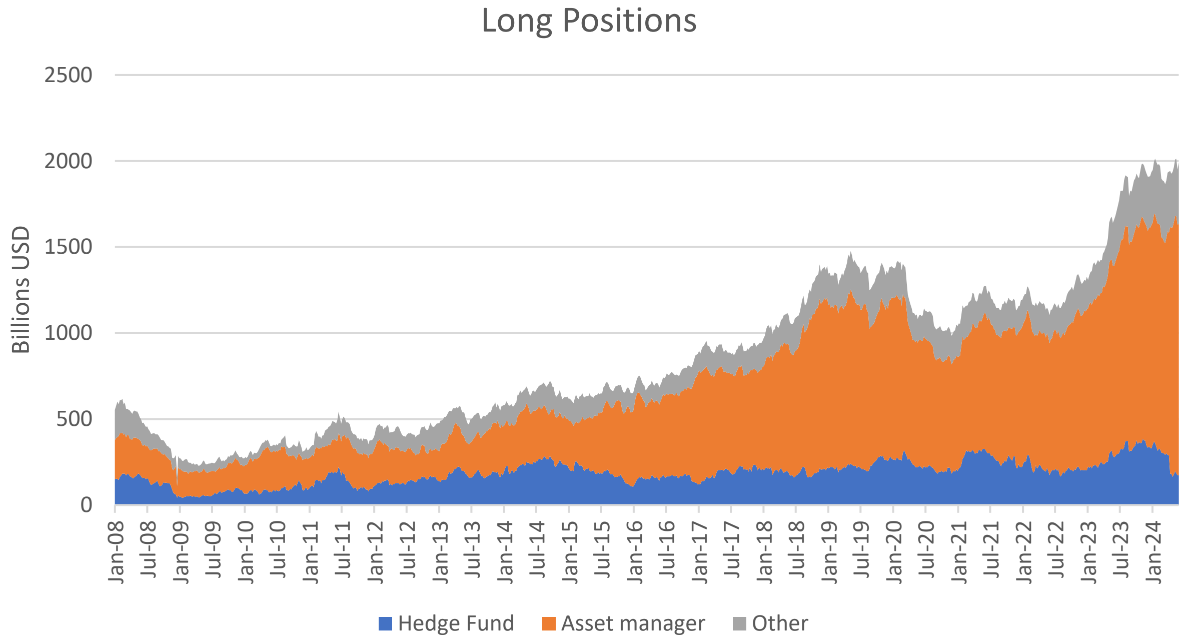
Strengthening Treasury Market Resilience

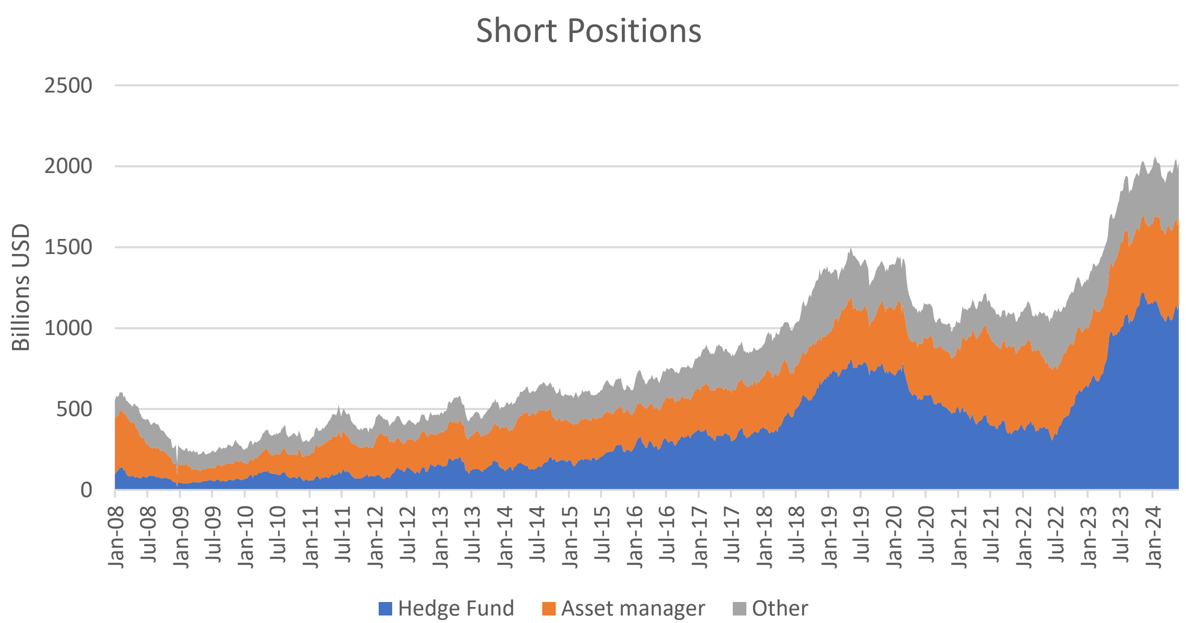
- The work has been structured as five workstreams

- Four workstreams to improve the resilience of supply of Treasury-market liquidity
  - Improving the resilience of market intermediation
  - Improving data quality and availability
  - Evaluating expanded central clearing
  - Enhancing trading venue transparency and oversight

- A fifth to reduce surges in demand for liquidity
  - Examining effects of leverage and fund liquidity risk management

Long and Short Treasury Futures Positions by Category





Source: CFTC