FACT SHEET: Progress of the Inter-Agency Working Group on Treasury Market Surveillance in Enhancing the Resilience of Treasury Markets

September 22, 2022

WASHINGTON– The Inter-Agency Working Group on Treasury Market Surveillance (IAWG)—which is composed of staff from the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System (Federal Reserve), the Federal Reserve Bank of New York, the U.S. Securities and Exchange Commission (SEC), and the U.S. Commodity Futures Trading Commission (CFTC) – has made significant progress towards its objective of enhancing the resilience of the U.S. Treasury market. Individual agencies have authority to enact policy measures to support the IAWG objectives. Efforts will be ongoing and additional updates will be provided at the 2022 U.S. Treasury Market Conference on November 16, 2022, co-hosted by the members of the IAWG. The following list of actions highlights the progress to date:

Improving Resilience of Market Intermediation

- In July 2021, the Federal Open Market Committee announced the establishment of a domestic standing repurchase agreement (repo) facility and a repo facility for foreign and international monetary authorities. These facilities will serve as backstops in money markets to support the effective implementation of monetary policy and smooth market functioning.
- In March 2022, the SEC proposed a rule that would expand the definition of "dealer" and "government securities dealer" based on qualitative and quantitative criteria. SEC analysis suggests this proposal, if adopted, would require principal trading firms, which have become important liquidity providers in the Treasury securities market, and potentially other large market participants to register as dealers or government securities dealers with the associated obligations and oversight.

Improving Data Quality and Availability

- In February 2022, the Director of Treasury's Office of Financial Research (OFR) informed the Financial Stability Oversight Council (FSOC) that OFR was working to close data gaps on uncleared bilateral repo transactions through a pilot data collection and planned subsequent rulemaking for a permanent data collection.
- In June 2022, Treasury, in consultation with the IAWG, released a request for information on potential next steps that could be taken to provide additional post-trade data transparency in the Treasury securities market.
- In August 2022, the SEC approved the Financial Industry Regulatory Authority's (FINRA) amendments to its TRACE reporting rules to improve the quality of reported data. Specifically, the amendments will reduce the post-trade transaction reporting timeframe in most instances to no more than 60 minutes, as well as increase the granularity and consistency of execution timestamps for electronic transactions.
- In August 2022, the SEC approved FINRA's rule amendment regarding the public release of aggregated Treasury securities data. The amendment enables FINRA to release aggregated data on a more frequent basis than the currently weekly publication. In the proposal, FINRA noted the potential to release aggregate data on a daily basis, as well as to include additional information such as aggregate trade count and pricing information.
- In September 2022, as required by a Federal Reserve rulemaking, certain depository institutions began reporting Treasury securities transactions to TRACE.

Evaluating Expanded Central Clearing

- In September 2022, the SEC proposed rule changes that would enhance risk management practices for central counterparties in the Treasury market and facilitate additional clearing of Treasury repo and securities transactions.

Enhancing Trading Venue Transparency and Oversight

- In January 2022, the SEC re-proposed regulations for oversight of and public disclosures by Treasury trading platforms, including removing the prior government securities exemption and expanding the definition of exchange to include a broader set of trading venues, such as request-for-quote platforms. The proposal would mean major Treasury trading platforms would be subject to important fair access and transparency requirements.

Examining Effects of Leverage and Fund Liquidity Risk Management Practices

- In January 2022, the SEC proposed an amendment to Form PF to require additional data reporting by certain investment advisers within one business day of the occurrence of specified significant events with respect to the adviser's qualifying hedge funds.
- In February 2022, the FSOC issued a statement on nonbank financial intermediation that highlighted its work evaluating and addressing the risks to financial stability posed by hedge funds, open-end funds, and money market funds.
- In August 2022, the SEC and CFTC jointly proposed amendments to Form PF designed to enhance FSOC's ability to assess systemic risk as well as to bolster the SEC's oversight of private fund advisers and its investor protection efforts. These proposed amendments include requiring more granular information about activity in the Treasury securities market and associated derivatives.

Other

- In November 2021, the IAWG published a Staff Progress Report proposing guiding principles for the Treasury market, outlining five workstreams as a roadmap for the ongoing work, and highlighting policy considerations for a range of policy options. The IAWG also co-hosted the annual Treasury Market conference to further the dialogue between the official sector and the public about these policy issues.