



FedFin Client Report

Monday, November 14, 2022

Treasury Inches Closer to All-to-All Trading

Client Report: TMARKET3

Executive Summary

Building on our [initial assessment](#), this report goes in-depth into the Treasury assessment of the market for its obligations and reforms necessary to avert another dash for cash. Although the Federal Reserve, which participated in this study along with other agencies, indicated in [2020](#) it will review the supplemental leverage ratio (SLR) to enhance bond-market liquidity, it has yet to do so and no mention is made of any such reform in this report. To be sure, this is only a Treasury report that does not necessarily reflect the views of these other agencies, but the Fed and Treasury usually work closely on matters such as this and it seems unlikely that the matter would go unmentioned if plans were under way to revise the SLR. The 2022 report builds on the inter-agency working group's 2021 analysis ([see Client Report TMARKET2](#)) but still does not reach firm conclusions or lay out specific recommendations suitable for near-term action. However, work is in fact under way at the SEC, which has proposed a new central-clearing mechanism for [Treasury obligations](#) that, if finalized, would create at least some of the infrastructure necessary for the all-to-all trading this report now explores in greater detail. Next steps for Treasury-market reform will be discussed at a conference later this week.

Analysis

Much in this report describes the 2021 inter-agency report and actions in its wake. Although it advances thinking on all-to-all trading, even preliminary conclusions are tentative at best. Work is now planned on studying all-to-all trading in markets beyond the secondary cash market for Treasuries, e.g., repos, the role of dealers, Treasury futures, and the impact of public policy.

The report also focuses on margin requirements, focusing in particular on ensuring uniform margin standards across centrally-cleared and OTS markets to prevent risky arbitrage. Treasury also wants uniform standards for Treasury securities and derivatives to limit the role of synthetic products (e.g., total return swaps). Inter-agency rulemaking in this area is discussed but not detailed.

The report also includes an extensive review of market data and gaps, continuing review of transaction-level reporting and other options in laid out in a Treasury RFI [earlier this year](#).

Federal Financial Analytics, Inc.
2101 L Street, NW – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2022. Federal Financial Analytics, Inc. All rights reserved.