

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Acting Assistant Secretary Seth Carpenter at a Conference on the Evolving Structure of the U.S. Treasury Market

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NEW YORK - Thank you, everyone, for joining us today. It is a pleasure to have such a distinguished group here with such a vast amount of experience. At the Treasury Department, we live and breathe Treasury markets, so it's a nice change of pace to hear how other policy makers, market participants, and academics are thinking about these themes. Before I go on, I want to thank President Dudley and the Federal Reserve Bank of New York for hosting all of us.

I think I can safely say that the first day has been a success. It's not often that people from the public sector, private sector, and academia come together to speak about the finer details of Treasury market structure and the path forward. I think today proves that an inclusive conversation about these nuanced topics can lead to greater insights and a better general understanding of the state of the Treasury market.

As I mentioned, at Treasury, we are deep in the weeds when it comes to these topics. The Treasury market remains the safest, deepest, and most liquid market in the world, and we are keenly aware that changes to market structure may provide challenges to those virtues in the future. However, I want to be clear: we are deeply committed to maintaining the strength and vitality of the market. We all benefit from having a risk-free benchmark curve, and it is important to ensure that the Treasury market remains healthy well into the future. These sentiments have been echoed throughout the day.

Thankfully, we have another day of speakers, but before we pack up for the day, I wanted to briefly touch on what we have heard so far. To start the day, we revisited the Joint Staff Report on the events of October 15, 2014, and spoke about some of the next steps that have been set in motion. Then, we heard about the increasing role of principal trading firms focusing on automated strategies and any implications that may exist from this development. Later, we learned how the business of market making has changed over time, and more specifically, how the growth of electronic trading may have helped to change the role of traditional broker-dealers. We also heard about how changes in the Treasury market structure may or may not have affected liquidity. And finally, we wrapped up with a discussion of how the evolution of Treasury markets has affected end investors' trading behavior. Chair White's comments at lunch complemented the sessions. One theme that came through clearly was the need for better data.

Tomorrow's events will prove to be just as useful and rich as today's. Chairman Massad will start us off tomorrow morning at 9 a.m. with a keynote speech, and shortly thereafter, we will hear about potential operational risks raised by the growing presence of principal trading firms to the clearing and settlement infrastructure of the Treasury market. Then, we will discuss if/how the current market structure can be improved. And to close out the day, the last two panels will include discussions on repo and liquidity and regulations.

This conference is the first of its kind, and again, we are grateful that you all have decided to be here. Our goal is to learn from you, and we hope that you all learn from each other, as market participants, policy makers, and academics share ideas and discuss a broad range of issues.

Let me summarize as Secretary Lew has done previously by saying that Treasury markets are complicated, nuanced, and always changing. There are many topics that will benefit from the different perspectives of academic research, policy analysis and market experience. All of these issues deserve careful analytical work. But I don't think one of those groups can get the complete picture alone. Discussions like this bring together different perspectives so that we can get as complete a picture as possible of the challenges we face. I am glad that today has so far allowed for a fruitful exchange of ideas, and I want you to know that Treasury's door is always open to hear your best thinking.

With that, I want to wish you all a pleasant evening.

Thank you.

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