

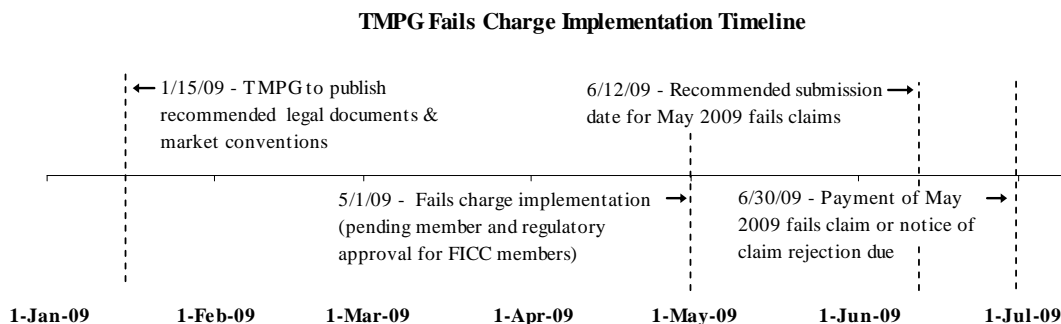


**Announcement**

**Timeline for New Market Practices to Address Widespread Settlement Fails in U.S. Treasury Securities**

The Treasury Market Practices Group (TMPG) on Monday announced additional details regarding the progress on new market practices aimed at addressing settlement fails in the U.S. Treasury Market. Following discussions with market participants, the TMPG has refined its November 12, 2008 recommendations to remediate widespread Treasury settlement fails.<sup>1</sup> Since November, short-term interest rates have declined to unprecedented levels, increasing the urgency to implement new practices to enhance liquidity and improve functioning of the U.S. Treasury market. Accordingly, the TMPG focused on the fails charge recommendation as the most immediate and meaningful way to improve Treasury market functioning and liquidity.

The timeline below notes key dates identified for the implementation of the fails charge process, along with tentative dates for the dissemination of timelines and implementation guidelines for the other announced recommendations.<sup>2</sup>



<sup>1</sup> November 12 TMPG announcement: <http://www.ny.frb.org/tmpg/PR081112.pdf>

<sup>2</sup> Please note that in the event of any discrepancies between this and the November 12 announcements, the details provided herein will supersede those noted on November 12.

1. Financial charge of fails:

<b>Key Dates:</b>	
<i>January 15, 2009</i>	TMPG to publish recommended legal documents & market conventions
<i>May 1, 2009</i>	First accrual date for fails charge
<i>June 12, 2009</i>	Due date for filing claims for May fails (10 <sup>th</sup> business day of following month)
<i>June 30, 2009</i>	Payment or notice of claim rejection due (last business day of following month)

The recommendation for a fails charge envisions the development of legal documents and market conventions that will permit counterparties to agree that a buyer of U.S. Treasury securities who fails to receive securities from a seller on the originally scheduled settlement date to submit a claim against the seller for a related payment. The fails charge payment will accrue for the duration of the fail.

Please refer to “*Claiming a Fails Charge for a Settlement Fail in U.S. Treasury Securities*” available via the following link for a detailed discussion of the fails related payment, the economic basis for the fails charge, operational issues in claiming a fails related payment, and a brief outline of a plan for action in 2009: <http://www.newyorkfed.org/tmpg/pr090105a.pdf> A Frequently Asked Questions document related to this recommendation has also been released: <http://www.newyorkfed.org/tmpg/pr090105b.pdf>

2. Margining of settlement fails: The TMPG plans to announce protocols and implementation timelines related to this recommendation by the end of the second quarter of 2009. The working groups exploring this recommendation identified a number of issues, but given the greater complexity of margining protocols decided that further study was needed before a road map for this recommendation could be published.
3. Bilateral cash settlement of fails after five business days: The TMPG is working with the Securities Industry and Financial Market Association (SIFMA) toward the development of a protocol with recommended standard practices and expects to provide further guidance in the first quarter of 2009. This process is expected to build upon some documents originally drawn up by SIFMA to implement mandatory buy-ins to support the voluntary buy-in process.
4. Support development of broader multilateral netting solutions: The TMPG and the DTCC will report further progress on this front by mid-year 2009. The TMPG has convened a working group which is researching development of a standing multilateral netting arrangement to more adequately address round robin settlement fails while remaining mindful of the confidentiality concerns of market participants. To this end, a TMPG working group is involved in discussions with The Depository

Trust and Clearing Corporation (DTCC) regarding an expanded use of its comparison-only service for this purpose.