

June 29, 2016

TMPG Revises U.S. Treasury and Agency Debt Securities Fails Charge Trading Practices

The Treasury Market Practices Group (TMPG) is announcing a modification to its recommended fails charge trading practice for U.S. Treasury and agency debt securities by changing the manner in which the minimum threshold is applied for fails in these markets. Instead of applying the exemption on a per trade basis, the TMPG recommends aggregation of fails charges between two counterparties for a given calendar month. A claim is made if the aggregate charges for fails with a counterparty for a given calendar month exceed \$500. The TMPG is making this modification in response to the recent rise in settlement fails, including the rise in fails for small-sized trades.

The TMPG recommends that the revised U.S. Treasury and agency debt securities trading practice apply to transactions entered into on or after September 1, 2016. This implementation timeline should provide sufficient time for market participants to make related operational adjustments.

The TMPG continues to believe the ideal dollar threshold for the fails charge is zero for all market participants but recognizes that a minimum threshold reduces the operational and administrative burden associated with implementing the trading practice. “Changing the manner in which the fails charge threshold is applied will help curb settlement fails and support the smooth functioning of the Treasury and agency debt markets,” said Tom Wipf, Chair of the TMPG.

All other elements of the U.S. Treasury and agency debt securities fails charge trading practice remain unchanged at this time, including the fails charge rate. The TMPG will continue to closely monitor settlement fails in Treasury and agency debt securities and may in the future consider taking other actions, including changing the fails charge rate, if necessary.

The TMPG plans to release on July 13, 2016, a modified *U.S. Treasury Securities Fails Charge Trading Practice, Agency Debt and Agency MBS Fails Charge Trading Practice* as well as an updated *Frequently Asked Questions* about the TMPG fails charge recommendations.

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The logo features the text "TMPG | Treasury Market Practices Group" in white serif font against a dark blue background. The background image shows a close-up of a metal grid or railing, with the numbers "23" and "30" visible on a horizontal bar.

TMPG | Treasury Market Practices Group

About the Treasury Market Practices Group (TMPG):

The Treasury Market Practices Group (TMPG) is a group of market professionals committed to supporting the integrity and efficiency of the Treasury, agency debt and agency mortgage-backed securities (MBS) markets. The TMPG is composed of senior business managers and legal and compliance professionals from a variety of institutions – including securities dealers, banks, buy-side firms, market utilities and others – and is sponsored by the Federal Reserve Bank of New York. More information is available at: www.newyorkfed.org/tmpg

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