February 28, 2018

**Treasury Market Practices Group Seeks Public Comment on Proposed Updates to its Fails Charge Practice Recommendation**

The Treasury Market Practices Group (TMPG) is proposing a floor to the level of the recommended fails charge for U.S. Treasury securities, agency debt and agency mortgage-backed securities (MBS) in order to ensure that a minimal charge remains in place, thereby maintaining operational continuity of the practices. The TMPG welcomes feedback on the proposed modification.

As currently constructed, the settlement fails charge decreases as overnight interest rates rise and is ultimately eliminated at higher rate levels. At that time, fails charge operational processes would be discontinued, but would need to be restarted should overnight interest rates fall again or fluctuate. The TMPG is concerned about the operational inefficiencies associated with the fails charge processes turning off (or toggling off and on) and believes the introduction of a floor of one percent would maintain the effectiveness of these processes.

“Including a floor to the recommended fails charge practices would maintain operational continuity of the fails charges, independent of how the level of short-term interest rates varies over time,” said Tom Wipf, Chair of the TMPG.

All other elements of the recommended TMPG fails charge trading practices would remain unchanged. The TMPG will continue to closely monitor settlement fails in its covered markets and may consider taking other actions in the future, if necessary.

Members of the public may submit comments by March 30, 2018, to tmpg@ny.frb.org. For more information on the proposed change, please refer to the FAQs. The TMPG expects to release final recommendations after its evaluation of public comments. At this time, the TMPG expects that the final recommendations would include an approximately 90 day implementation period.
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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