February 27, 2004

FR 2004
Questions and Answers

General

1. Q. What securities should be included on the FR 2004 reports?
   A. U.S. government, federal agency, and U.S. corporate debt securities should be included on the FR 2004 reports. This includes: Treasury Inflation Index Securities (TIIS), Treasury bills, notes, bonds, STRIPS and collateralized mortgage obligations (CMOs), commercial paper, and private placements (Rule 144a securities).

2. Q. What securities should be excluded from the FR 2004 reports?
   A. Asset-backed securities, municipal securities, collateralized bond obligations (CBOs), collateralized loan obligations (CLOs), collateralized debt obligations (CDOs), convertible debt, foreign corporate debt, bankers’ acceptances, certificates of deposit, and other money market instruments are excluded from the FR 2004 reports.

3. Q. What asset-backed securities are excluded from the FR 2004 reports?
   A. The following asset-backed securities should be excluded from the FR 2004 reports:
      • Credit card receivables – asset-backed securities collateralized by credit card receivables, i.e., extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards.
      • Home equity lines – asset-backed securities collateralized by home equity lines of credit, i.e., revolving, open-end lines of credit secured by 1 to 4 family residential properties.
      • Automobile – asset-backed securities collateralized by automobile loans, i.e., loans to individuals for the purpose of purchasing private passenger vehicles, including minivans,
vans, sport-utility vehicles, pickup trucks, and similar light
trucks for personal use.

- **Other consumer loans** – asset-backed securities collateralized
  by other consumer loans, i.e., loans to individuals for
  household, family, and other personal expenditures.

- **Commercial and industrial loans** – asset-backed securities
  collateralized by commercial and industrial loans, i.e., loans for
  commercial and industrial purposes to sole proprietorships,
  partnerships, corporations, and other business enterprises,
  whether secured (other than by real estate) or unsecured,
  single-payment or installment.

4. **Q.** Are bank notes and deposit notes reported on the FR 2004 reports?

   **A.** Bank notes are reported on the FR 2004 reports in corporate securities
   because they are categorized as debt on the issuer’s balance sheet. Deposit
   notes are excluded from the FR 2004 reports because they are categorized
   as deposits on the issuer’s balance sheet and, therefore, like CDs, are
   excluded.

5. **Q.** Are securities issued by corporations located in U.S. Territories (e.g.,
   Guam) or Puerto Rico reported on the FR 2004 reports?

   **A.** No. Securities issued by corporations located in U.S. territories or Puerto
   Rico are excluded from the FR 2004 reports.

6. **Q.** Are Treasury Coupon Passes reported on the FR 2004 reports?

   **A.** Yes. Coupon passes are when the Federal Reserve Bank of New York
   purchases securities outright from a primary dealer. Coupon passes should
   be reported as transactions with “others” (column 2) on the FR 2004B.

7. **Q.** How are allotments and customer awards in Treasury auctions
   reported on the FR 2004 reports?

   **A.** Customer awards in Treasury auctions (securities received from bids
   placed on behalf of a customer by a primary dealer) are excluded from the
   FR 2004 reports. Allotments (securities received through auction as a
   result of primary dealers bidding for their own accounts) are reported on
   the FR 2004A, FR 2004SI, and FR 2004WI as a gross long position using
   trade date accounting. Allotments are reported on the FR 2004SI only
   when the “on-the-run” is reopened.
8. **Q.** How are Treasury Buyback operations reported on the FR 2004 reports?

A. Securities bought back by the Treasury Department should be reported as a decrease to the FR 2004A data using settlement date accounting. All buybacks, including buybacks from primary dealers on their own behalf or on the behalf of their customers, should be excluded from the FR 2004B.

9. **Q.** How are affiliate and subsidiary’s positions, transactions, and financing reported on the FR 2004 reports?

A. Data should be reported for the entire legal entity that functions as the primary dealer, including any subsidiaries that it consolidates in its regulatory reports (e.g., FOCUS or FOG). Positions, transactions, and financing activity with unconsolidated affiliates should be reported as third parties on the FR 2004A, FR 2004B, FR 2004C, and FR 2004SI, respectively and are not consolidated on the FR 2004 reports.

10. **Q.** How are dollar rolls reported?

A. Dollar rolls are reported as a repurchase agreement only when a specific mortgage-backed security is used as collateral. Dollar rolls involving “To Be Announced” (TBA) securities, for which the underlying security does not yet exist (i.e., forward mortgage-backed transactions) or the outright purchase and sale of forward TBA securities should be reported on the FR 2004A and FR 2004B and excluded from the FR 2004C.

11. **Q.** Who are considered inter-dealer brokers for the purpose of reporting on the FR 2004B and the FR 2004SI?

A. Inter-dealer brokers are identified as a “broker” by the Fixed Income Clearing Corporation on their website (www.ficc.com).

12. **Q.** Are forwards reported on the FR 2004 reports?

A. Forwards are agreements (other than regular way trades) that obligate two parties to purchase and sell a specific financial instrument at a specific future date and a specified price. Forward positions should be reported as outright positions on the FR 2004A and as outright transactions on the FR 2004B. Forwards should be excluded from the FR 2004SI.
13. **Q. Are internal trades and intercompany positions reported on the FR 2004 reports?**

   **A.** No. Internal (including inter-company) positions and transactions should be excluded from all FR 2004 reports.

14. **Q. How are General Collateral Financing (GCF) transactions reported on the FR 2004C and the FR 2004SI?**

   **A.** GCF transactions are general collateral repurchase agreements identified by a single CUSIP and executed through the Government Securities Clearing Corporation (GSCC). At settlement specific securities are delivered or received. GCF RPs and RRPs should be reported on a gross basis on the FR 2004C. However, on the FR 2004SI when an “on-the-run” security is delivered as collateral in a GCF transaction, it should be reported net.

15. **Q. Is convertible debt reported on the FR 2004 reports?**

   **A.** No. Convertible debt is an obligation that is required to be settled either by the transfer of assets (cash) or by delivering equity shares in the issuer or third party company if the holder exercises its conversion option. These instruments should be excluded from the FR 2004 reports.

16. **Q. If a primary dealer underwrites or is part of an underwriting syndicate for a corporate bond issue is the initial purchase by the primary dealer from the issuer reportable as a transaction on the FR 2004B?**

   **A.** The initial purchase of the issue is not considered a transaction and should not be reported on the FR 2004B. However, the initial holdings should be reported on the FR 2004A as a gross long position (column1). When the primary dealer sells the security to customers in the secondary market it should be reported as transaction on the FR 2004B.

17. **Q. Is the process of creating STRIPS from existing bonds and notes reportable as transactions on the FR 2004B?**

   **A.** The submission of securities to the Federal Reserve Bank of New York (FRBNY) and the receipt of the interest and principal only components from the FRBNY should not be reported as transactions on the FR 2004B. This process is done through the use of the FRBNY book entry system and no transaction takes place. The interest and principal only components should be included as positions on the FR 2004A. However, positions, transactions and financing with stripped securities should be reported on the FR 2004 reports.
FR 2004A

18. Q. Are securities reported based on original maturity or time remaining to maturity?
   A. All securities should be reported by remaining maturity. For example, a U.S. Treasury security initially issued as a 10-year note with 3 years remaining to maturity should be reported in “Treasury Coupons due in 3 Years or Less” (Line 1b).

19. Q. What is the definition of fair value on the FR 2004A?
   A. The definition of fair value should be consistent with FAS 115. FAS 115 states that the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value of that instrument is the product of the number of trading units of the instrument times that market price.

20. Q. What are the exceptions for positions reported on the FR 2004A to be greater than the transactions reported on the FR 2004B?
   A. Four exceptions exist:
      1) Dealer allotments are reported on the FR 2004A. These are excluded from the FR 2004B.
      2) Positions on the FR 2004A are reported at fair-value while transactions on the FR 2004B are reported at principle value.
      3) The delivery of securities from futures contracts are included as a change of position on the FR 2004A. These are excluded from the FR 2004B.
      4) The stripping of a Federal Agency security can result in a change in position without reporting a transaction.

   A. No. Accrued interest should be excluded from the FR 2004A report.

FR 2004B

22. Q. Should when-issued transactions be reported on the FR 2004B?
   A. Yes. All when-issued transactions should be reported on the FR 2004B.
23. Q. How are trades made through inter-dealer brokers where the counterparty is revealed after the conclusion of the trade (give-up trades) reported on the FR 2004B?

   A. Give-up trades should continue to be reported as transactions with inter-dealer brokers and not as transactions with others.

24. Q. How are mortgage-backed securities (MBS) valued on the FR 2004B report?

   A. Transactions in MBS should be valued at the current face value times the price.

FR 2004C

25. Q. What is reported on the FR 2004C in lines 1 through 3, columns 1 and 2?

   A. All financing is reported on lines 1 through 3, columns 1 and 2 where the security involved in the financing agreement is either a Treasury, federal agency, government sponsored enterprise, mortgage-backed, or corporate security.

26. Q. What is reported in the memorandum section on the FR 2004C?

   A. Only repurchase and reverse repurchase (resale) agreement activity is reported in the memorandum section. The data reported in the memorandum are a subset of the data reported in lines 1 through 3, columns 1 and 2.

27. Q. Should financing data be reported on a gross or net basis?

   A. All financing data should be reported on a gross basis (i.e., FIN 41 does not apply to the FR 2004 reports.) For example, a repurchase and reverse repurchase agreement with the same counterparty should be reported gross even if a valid netting agreement exists.

28. Q. How does a holiday affect the reporting of overnight and continuing agreements?

   A. Overnight and continuing agreements are contracts that mature or can be terminated by either the borrower or the lender on the next business day. Thus, a Friday to Tuesday agreement when Monday is a holiday is considered an overnight agreement.
29. Q. When cash is received as the result of a collateralized loan how should it be reported on the FR 2004C?
   A. The actual funds received should be reported. The market value of the security should not be reported.

30. Q. How are fails reported on the FR 2004C and the FR 2004SI?
   A. Fails are reported cumulatively on the FR 2004C. However, on the FR 2004SI fails are only reported for the as-of date.

31. Q. How are aged fails reported on the FR 2004C?
   A. Aged fails are defined as any failure to receive or deliver that has been outstanding for five business days or more. Aged fails should be included on lines 4a, 4b, 4c, or 4d of the FR 2004C.

32. Q. How are tri-party repurchase agreements financings reported on the FR 2004C and FR 2004SI?
   A. Tri-party repurchase agreements involve a custodian holding collateral for the securities borrower and the securities lender. The securities borrower and securities lender should report these financing transactions on the FR 2004C and the FR 2004SI.

33. Q. Should securities received/delivered for margin be included on the FR 2004C report?
   A. Yes. Securities received/delivered should be reported in “Securities In” and “Securities Out” on the FR 2004C report.

34. Q. How are financing positions where the Fixed Income Clearing Corporation (FICC) is the counterparty on borrowings and loans reported on the FR 2004C?
   A. Financing positions where the FICC is counterparty on borrowings and loans should be reported on a gross basis. There is no provision for netting financing on the FR 2004C.
FR 2004SI

35. Q. What specific issues are reported on the FR 2004SI?
   A. The FR 2004SI contains the most recently issued on-the-run security for each maturity classification of fixed income and inflation indexed notes and bonds. For example, if a 2-year fixed principal note was recently issued and is no longer reported on the FR 2004WI, the data on this security will be reported on the FR 2004SI as of close of business the first Wednesday after its issuance. The security will remain on the FR 2004SI report until a new fixed principal security of the same maturity type is issued by the Treasury. This applies to inflation-indexed notes and bonds. For a list of securities to be reported on the FR 2004SI, reference the FR 2004SI Guide Sheet at http://www.newyorkfed.org/banking/regrept/siguide2.html

36. Q. What is the proper reporting method for transaction volume when the FR 2004WI and FR 2004SI overlap?
   A. When an issue is moved from the FR 2004WI to the FR 2004SI include the cumulative volume transacted in that issue since the closing date of the previous reported FR 2004SI. For example, if a new 5-year note is issued on Monday, include volume from the when-issued period of the prior Thursday and Friday along with the outright volume from Monday through Wednesday on the FR 2004SI for that reporting week.

37. Q. Should financing through an inter-dealer broker be categorized as financing with broker-dealers or financing with all others?
   A. All broker-dealers (including inter-dealer brokers) registered under Federal securities laws should be reported as financing with broker-dealer on the FR 2004SI. All other entities should be reported as financing with all others.

38. Q. Should financing cleared through the Government Securities Clearing Corporation (GSCC) be reported on the FR 2004SI as financing with broker-dealers or financing with all others?
   A. Financing where the GSCC has become the legal counterparty is reported as financing with broker-dealers.
39. **Q. How are on-the-run re-opened securities reported on the FR 2004SI and the FR 2004WI?**

   **A.** Report only positions and transactions of the previously issued security on the FR 2004SI. Report positions and transactions for both the when-issued and the previously-issued securities on the FR 2004WI. In the event of a conditional re-opening, report the following on the FR 2004WI:

<table>
<thead>
<tr>
<th>CONDITIONAL REOPENING</th>
<th>Re-open</th>
<th>New Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement to Auction</td>
<td>• Report positions and transactions of the When Issued (WI) CUSIP Only</td>
<td>• Report WI positions, transactions, and forward financings.</td>
</tr>
<tr>
<td>Auction to Business Day Prior to Settlement</td>
<td>• Report WI Positions and Transactions.</td>
<td>• Report WI positions, transactions, and forward financings.</td>
</tr>
<tr>
<td></td>
<td>• Do not include positions and transactions of the Previously Issued (PI) security.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Report only the PI portion of forward financing on the FR 2004SI.</td>
<td></td>
</tr>
<tr>
<td>Business Day Prior to Settlement</td>
<td>• Report Prior day’s WI positions and no transactions.</td>
<td>• Report WI positions and transactions.</td>
</tr>
<tr>
<td></td>
<td>• All transactions are considered PI transactions.</td>
<td></td>
</tr>
<tr>
<td>After Settlement</td>
<td>• Report both WI and PI transactions for the full week (Thursday-Wednesday) on the FR 2004SI.</td>
<td>• Report both WI and PI transactions for the full week (Thursday-Wednesday) on the FR 2004SI.</td>
</tr>
</tbody>
</table>

   The reporting treatment on the FR 2004SI for conditional re-opened securities is the same as for typical re-opened securities.

40. **Q. Should fails be reported on a cumulative or current basis on the FR 2004SI?**

   **A.** Unlike the FR 2004C, fails on the FR 2004SI are reported on a current basis. For example, if a fail occurs on a Monday with a principal value of

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1 On some occasions, the Treasury will announce that a security will be re-opened if the price of the security is above a certain level prior to the auction. If the price of the security is below this level, the security is not re-opened, and a new security is issued.
$500 million and are not delivered by the close of business on Wednesday, then $500 million should be reported as a fail on the FR 2004SI.

**FR 2004WI**

41. **Q.** When should the FR 2004WI be submitted?

   **A.** The FR 2004WI is due to the Government Securities Dealer Statistics Unit each business day from the day following a Treasury announcement of a note or bond through the issue date reflecting the previous business days activity. For example, if the Treasury announces a 10-year note on the first day of the month and issues the note on the fifteenth day, an FR 2004WI would be submitted each business day from the second to the fifteenth day of the month for activity that occurred the prior business day. For a list of securities to be reported on the FR 2004WI, reference the FR 2004WI Guide Sheet at http://www.newyorkfed.org/banking/regrept/wiguide.html

42. **Q.** Does the FR 2004WI have to be submitted if the dealer has a zero net position for a when-issued security?

   **A.** Yes. If a dealer does not participate in when-issued activity, it should submit a report reflecting zero data. Submission of the FR 2004WI reports makes it clear that a dealer engaged or did not engage in when-issued activity.

43. **Q.** Should dealer allotments continue to be reported after the auction date?

   **A.** Yes. Dealer allotments should continue to be reported in the net position on the FR 2004WI and FR 2004A (in the outright long column) until the security has been issued. Upon issuance, a security is reported on the FR 2004 reports as any other issued security would be reported.