

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

May 8, 2019

FR 2004 **Questions and Answers**

General

1. **Q. What securities should be included on the FR 2004 reports?**
 - A. U.S. government, federal agency, U.S. corporate debt, state and local debt, and asset-backed securities should be included on the FR 2004 reports. This includes: Treasury Inflation Protected Securities (TIPS), Treasury bills, notes, bonds, STRIPS, Floating-Rate Notes (FRNs), and collateralized mortgage obligations (CMOs), commercial paper, and private placements (Rule 144a securities). It also includes taxable and tax-free municipal bonds and variable rate demand notes.

2. **Q. What securities should be excluded from the FR 2004 reports?**
 - A. Convertible debt, foreign corporate debt, bankers' acceptances, certificates of deposit, and other money market instruments are excluded from the FR 2004 reports.

3. **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.

4. **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.

5. **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.
6. **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.
7. **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.
8. **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, FR 2004WI, and FR 2004SI, respectively and are not consolidated on the FR 2004 reports.
9. **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.

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

A. A listing of inter-dealer brokers are listed in the Fixed Income Clearing Corporation's (FICC) government securities division and mortgage-backed securities division member directories. The directory can be obtained from:

[http://www.dtcc.com/client-center/ficc-gov-directories.aspx#/
http://www.dtcc.com/client-center/ficc-mbs-directories.aspx#/](http://www.dtcc.com/client-center/ficc-gov-directories.aspx#/)

Dealers should look through the organizational structure of counterpartys when dealing with inter-dealer brokers not specified on the FICC membership directories to identify affiliate firms designated as inter-dealer brokers that provide clearing services for the counterparty as well as inter-dealer brokers that are not FICC members.

11. **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.

12. **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.

13. **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 Fixed Income Clearing Corporation (FICC). At settlement specific securities are delivered or received. GCF RPs and RRs 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.

14. **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 are excluded from the FR 2004 reports.

15. **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. Primary transactions with issuers conducted through reverse inquiry are excluded, however, the position taken in this manner is reportable.
16. **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.
17. **Q. How should a primary dealer report trades by its prime brokerage customers?**
- A. Trades conducted on behalf of a prime brokerage customer with an executing dealer should be excluded from the FR2004 reports. Similarly, financing positions conducted on behalf of a prime brokerage customer should be excluded on the FR2004C and FR2004SI.
18. **Q. How should a primary dealer treat trades executed with another entity's prime brokerage customers (i.e., where the primary dealer is the executing dealer)?**
- A. Trades in which the customer's prime broker is acting as principal or agent should be reported as trades with a customer. In either case, the trades are

reportable as trades “with others.”

19. **Q. What are the proper consolidation rules for a primary dealer that is a branch or agency of a foreign banking organization?**
- A. All primary dealer reports submitted should reflect the activity of the foreign bank, not just the branch or agency that is specifically designated a primary dealer, unless otherwise agreed by FRBNY. Positions, transactions, financing and settlement fails that occur between the branch or agency that is specifically designated as a primary dealer and the head office of the foreign bank or other banking branches or agencies of the foreign banking organization (both domestic and foreign) should be eliminated in the consolidation. Activities and balances with entities not included in the consolidation, including those with unconsolidated affiliates and subsidiaries should be reported as external third-party transactions.

FR 2004A

19. **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 more than two but less than 3 Years” (Line 1c).
20. **Q. What is the definition of fair value on the FR 2004A?**
- A. The definition of fair value should be consistent with GAAP. GAAP 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.
21. **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.

22. **Q. Is Accrued interest included on the FR 2004A report.**

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

FR 2004B

23. **Q. Should when-issued transactions be reported on the FR 2004B?**

A. Yes. All when-issued transactions should be reported on the FR 2004B.

24. **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.

25. **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

26. **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 4, columns 1, 2, and 3 where the security involved in the financing agreement is either a Treasury, federal agency, government sponsored enterprise, mortgage-backed, or corporate security, municipal, asset-backed, or equity security.

27. **Q. Is financing data 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, only outstanding fails are 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 6a, 6b, 6c, 6d, 6e, or 6f 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.
35. **Q. What types of securities are not considered equity securities for the FR 2004C report?**
- A. Share of mutual funds, Exchange-traded funds (ETFs), American Depository Receipts (ADRs), preferred securities, and convertible securities should not be included under Equity Securities on the FR 2004C report. Warrants, rights, and options should also not be included.

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, inflation indexed 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 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/SIGuideSheet/>
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 Fixed Income Clearing Corporation (FICC) 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,¹ report the following on the FR 2004WI:

	CONDITIONAL REOPENING	
	Re-open	New Issue
Announcement to Auction	<ul style="list-style-type: none"> Report positions and transactions of the When Issued (WI) CUSIP Only 	
Auction to Business Day Prior to Settlement	<ul style="list-style-type: none"> Report WI Positions and Transactions. Do not include positions and transactions of the Previously Issued (PI) security. Report only the PI 	<ul style="list-style-type: none"> Report WI positions, transactions, and forward financings. No PI positions or transactions are available.

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.

	portion of forward financing on the FR 2004SI.	
Business Day Prior to Settlement	<ul style="list-style-type: none"> • Report Prior day’s WI positions and no transactions. • All transactions are considered PI transactions. 	<ul style="list-style-type: none"> • Report WI positions and transactions. • No PI positions or transactions are available.
After Settlement	<ul style="list-style-type: none"> • Report both WI and PI transactions for the full week (Thursday-Wednesday) on the FR 2004SI. 	<ul style="list-style-type: none"> • Report both WI and PI transactions for the full week (Thursday-Wednesday) on the FR 2004SI.

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 \$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/WIGuideSheet/>

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.

FR 2004 F Series

44. **Q. How should MBS settlement fails and transaction volumes be reported on the FR 2004 FA, FB, and FM report following the implementation of the Single Security initiative?**
- A. Report outstanding settlement fails at close of business for the respective Class A, or Class B settlement dates, or month-end report date, for Uniform Mortgage-Backed Securities (UMBS) issued **by either FNMA or FHLMC** for coupons listed on the respective report forms, **Settlement Cycle Report of Dealer Fails and Transaction Volumes**; in the FNMA section in columns 1 and 2. Report fails to receive in column 1 and fails to deliver in column 2. Fails in non-UMBS eligible MBS issued by FHLMC should be reported under the FHLMC section in columns 3 and 4.
- Report cumulative MBS TBA and Pool Transactions volumes (Outrights and Dollar Rolls) with external counterparties for the respective Class A or Class B settlement dates, or the month-end report date, for UMBS issued **by either FNMA or FHLMC** for coupons listed on the report forms **Settlement Cycle Report of Dealer Fails and Transaction Volumes**; in the FNMA section in columns 1 and 2. Continue to report outright transactions in column 1 and dollar rolls in column 2. Transaction volumes in non-UMBS eligible MBS issued by FHLMC should be reported in the FHLMC section in columns 3 and 4.

Transaction activity relating to the exchange of non-UMBS eligible MBS for UMBS-eligible MBS issued by FHLMC should not be reported as transaction volume on the FR 2004 F Reports.

Updated 5/8/19