

**Report of Dealer Positions,  
Transactions, Financing,  
and Fails (FR 2004)  
Training Seminar**

**December 17, 2003**

# AGENDA

<b>Topic</b>	<b>Speaker</b>	<b>Approximate Time</b>
<i>Welcoming Remarks</i>	<i>Ken Lamar</i>	<i>9:00-9:10</i>
<i>What's New?</i>	<i>Michele Waldman</i>	<i>9:10-9:15</i>
<i>An in-depth look at the FR 2004 Reports</i>	<i>Vicki Szeto</i>	<i>9:15-10:00</i>
<i>Who must report and consolidation rules</i>	<i>Debra Kuntz</i>	<i>10:00-10:10</i>
<i>Break</i>		<i>10:15-10:30</i>

# AGENDA

<b>Topic</b>	<b>Speaker</b>	<b>Approximate Time</b>
<i>Underwriting of Corporate Debt</i>	<i>Paula Webster</i>	<i>10:45 – 11 :00</i>
<i>Editing</i>	<i>Paula Webster</i>	<i>11:00 – 11:30</i>
<i>Uses of FR 2004 Data</i>	<i>Frank Keane Richard Dzina</i>	<i>11:30 – 11:45</i>
<i>New Primary Dealer Website</i>	<i>Aaron Gononsky</i>	<i>11:45 – 11:50</i>
<i>Q&amp;A Session</i>		<i>11:50 – 12:05</i>

# What's New

Michele Waldman

## FR 2004 - What's New? (effective January 7, 2004)

- Elimination of Cumulative Weekly Financing Volume and Average Weekly Repurchase Agreement Rate
- Elimination of the Three-Week Lagged Publication for Positions (FR 2004A report) and Financing (FR 2004C report)

## FR 2004 - What's New? (effective January 7, 2004)

- New Weekly Publication of Fails to data
- Revisions to the Instructions to Include Reporting Underwriting Corporate Debt and Transactions With Affiliates
- All FR 2004 Report Forms will be due to FRBNY no later than 4:00 p.m. the next business day following the as-of date

# An In-Depth Look at the FR 2004 Reports

Vicki Szeto

# Agenda

- The FR 2004 Reports
- Common Report Themes
- FR 2004 Report Specifics



## FR 2004 Reports

- Weekly Report of Dealer Positions--FR 2004A
- Weekly Report of Cumulative Dealer Transactions--FR 2004B
- Weekly Report of Dealer Financing and Fails--FR 2004C
- Weekly Report of Specific Issues--FR 2004SI
- Daily Report of Specific Issues--FR 2004SD
- Daily Report of Dealer Activity in Treasury Financing--FR 2004WI

# Common Report Themes

- Report Submission
- Report Schedule and Retention
- Reportable Securities
- FR 2004 Report Exclusions
- Allotment of New Securities
- Treasury Auction Schedule
- Security Buybacks
- Mortgage-Backed TBAs
- Maturity Classifications
- Accounting Rules

## FR 2004 Report Submission

- Data must be submitted via the Federal Reserve System's Internet Electronic Submission ("IESUB") System
- IESUB provides confirmation of data receipt at the FRBNY and performs validity edits.

# FR 2004 Report Schedule and Retention

## Weekly Data

- Report as of the close of business each Wednesday.
- Submit data by 4:00 p.m. Thursday (Friday if Thursday is a holiday).

## Daily Data

- Report data as of the close of business for the previous business day.
- Submit data by 4:00 p.m. daily (the following business day if a holiday).

## Retention

- Reports must be retained for 2 years from the date of submission.

# Reportable Securities

- U.S. Treasury Securities
- Federal Agency and Government Sponsored Enterprise (“GSE”) Securities excluding Mortgage-Backed Securities (“MBS”)
- Federal Agency and GSE MBS
- U.S. Corporate Debt Securities

# Reportable Securities

## U.S. Treasury Securities

- Direct obligations of the Treasury include:
  - Treasury bills, notes and bonds
  - STRIPS, both the interest only (“IO”) and principal only (“PO”) components
  - Treasury Inflation-Indexed Securities (“TIIS”)
    - Securities that are not fixed principal maturities, regardless of the maturity date

# Reportable Securities

## Federal Agency and GSE Securities (excluding MBS)

- Securities that are issued by, guaranteed by, or are the direct obligation of a federal instrumentality or a GSE.
- Include stripped securities and securities from which one or more coupons have been detached (corpus).

# Reportable Securities

## Federal Agency and GSE Mortgage-Backed Securities

- MBS securities that are issued by, guaranteed by, or are the direct obligation of a federal instrumentality or GSE
- Include (but are not limited to):
  - Participation certificates
  - Pass-through securities
  - Collateralized mortgage obligations (“CMOs”)
  - Real estate mortgage investment conduits (“REMICs”)
  - IO and PO components of stripped securities



# Reportable Securities

## Corporate Securities

- U.S. dollar-denominated debt securities
- Debt securities issued by a corporation located in the fifty states of the United States and the District of Columbia
- Not determined by parent's location
- Not determined by guarantor's location
- Corporations located in U.S. territories (*e.g.*, Guam or Puerto Rico) are **not** U.S. corporations

# Reportable Securities

## Corporate Securities

- Include:
  - Bonds, notes and debentures
  - MBS issued by parties other than U.S. government agencies and GSEs
  - CMOs, REMICs
  - CATS, TIGRs stripped securities (if issued by a U.S. corporation, even if base security was issued by Treasury, federal agency, or GSE)
  - Commercial paper
  - Privately placed securities (*e.g.*, 144a securities)

## FR 2004 Report Exclusions

- Internal trades and positions between desks, departments, or consolidated subsidiaries
- Securities issued by multinational institutions such as the International Bank for Reconstruction and Development (IBRD/World Bank)
- Securities issued by corporations located in U.S. territories (*e.g.*, Puerto Rico)

# FR 2004 Report Exclusions

- Bankers' Acceptances
- Certificates of Deposit
- Deposit Notes, Bank Notes
- Money Market Mutual Funds
- Eurodollars
- Municipal Securities
- Convertible Debt
- Foreign Corporate Debt

# FR 2004 Report Exclusions

## Corporate Securities

- Non-mortgage related Asset-backed securities (“ABS”), securities backed by:
  - credit card receivables
  - home equity loans
  - commercial and industrial loans - other assets
  - franchise securities (backed by franchises unless collateral is real estate the franchise is located on)
  - Collateralized Bond, Loan, and Debt Obligations (“CBOs”, “CLOs”, and “CDOs”)
  - auto loans
  - consumer loans

## Allotment of New Securities

- Report the position (FR 2004A and FR 2004WI) taken in a new U.S. Treasury, federal agency, or GSE security allotment
- Include allotments that are awarded on a report date in that day's positions
- Exclude transactions (FR 2004B and FR 2004WI) to obtain the allotment
- Exclude customer awards

# Treasury Auction Schedule

<u>Security Type</u>	<u>Frequency</u>	<u>Months</u>
2 yr	Monthly	Jan to Dec
5 yr	Monthly	Jan to Dec
3 yr	Quarterly	Feb, May, Aug, Nov
10 yr	Quarterly	Feb, May, Aug, Nov
10 yr re-open	Quarterly	Mar, Jun, Sep, Dec
10 yr TIPS	Quarterly	Jan, Apr, Jul, Oct

Announcement information can be obtained from:

<http://www.publicdebt.treas.gov/of/ofaucrt.htm>

# Security Buybacks

- Report the change in position (FR 2004A) when the buyback settles
- Report the purchases (FR 2004B) of securities by a primary dealer from a customer to complete the buyback process
- Do not report the settlement of a buyback as a transaction (FR 2004B)



# Mortgage-Backed To-Be-Announced ("TBA") Securities

## Outright trading of MBS TBAs

- Report as outright positions (FR 2004A) prior to settlement
- Report as transactions (FR 2004B) on the trade date

## Settlement of MBS TBAs

- At settlement, the TBAs result in either a receipt or delivery of an actual MBS security and no longer represents a forward commitment

# Mortgage-Backed To-Be-Announced ("TBA") Securities

## Settlement of MBS TBAs

- Report a position (FR 2004A) based on the actual MBS security
- Do not report the settlement of a MBS TBA as a transaction (FR 2004B)

# Maturity Classifications

## FR 2004A and FR 2004B

- U.S. Treasury, federal agency, GSE, and corporate securities
- Based on time remaining to maturity not original maturity
  - As the remaining maturity decreases, the security is shifted from one maturity classification to another

# Maturity Classifications

## FR 2004A and FR 2004B

### When-issued securities

- Based on the time remaining to maturity calculated from the issue date

\_\_ For example: A when-issued, 3-year note should be reported in line 1b, “U.S. Treasury coupons due in less than or equal to three years”

# Maturity Classifications

FR 2004A and FR 2004B

STRIPS and other stripped securities

- Based on the time remaining to the payment date for each IO component and to the redemption date for the PO component

# Maturity Classifications

## FR 2004A and FR 2004B

For example, report a stripped 30-year U.S. Treasury bond with 60 coupon payments (two interest payments per year; 60 IO components) as follows:

- The sum of the first 6 IO components in line 1b (TC due in  $\leq 3$  yrs)
- The sum of the next 6 IO components in line 1c (TC due in  $> 3$  yrs  $\leq 6$  yrs)
- The sum of the next 10 IO components in line 1d (TC due in  $> 6$  yrs  $\leq 11$  yrs)
- The sum of the remaining 38 IO components and the PO component in line 1e (TC due in  $> 11$  years)

# Maturity Classifications

## FR 2004A and FR 2004B

### Callable Securities

- Categorize callable debt securities that cannot be put back to the issuer on the time remaining to the original maturity date (not the next call date)
- Categorize callable debt securities that cannot be put back to the issuer that have been called based on the time remaining to the call date
- Categorize callable floating-rate debt securities that can be put back to the issuer, based on the time remaining to the next repricing date

# Maturity Classifications

FR 2004C, FR 2004SI and FR 2004SD

## Overnight Financing

An agreement that settles on one business day and matures on the next business day.

- For example, overnight financing includes a Friday to Monday agreement and a Friday to Tuesday agreement when Monday is a holiday.



# Maturity Classifications

## FR 2004C, FR 2004SI and FR 2004SD

- Continuing Contracts

An agreement that remains in effect for more than one business day, but has no specific maturity and can be terminated on demand by either the borrower or the lender

- Term Agreements

An agreement with an original fixed maturity of more than one business day that is not a continuing contract

# Accounting Rules

## General

- Report all data in millions of dollars
- Total all data for each cell before rounding
- Do not report decimals in any cell
- Do not report negative values in any cell, except:
  - FR 2004SI, column 3 (net settled position)
  - FR 2004SD, column 3 (net settled position)
  - FR 2004WI, column 2 (net outright positions)
  - FR 2004WI, column 3 (net forward financing commitments)

# Accounting Rules

## Position Data

- FR 2004A
  - Fair (market) value
  - Report using trade date accounting
  - For buybacks, use settlement date accounting

# Accounting Rules

## Position Data

- FR 2004SI and FR 2004SD
  - Original issuance par amount
  - Report using settlement date accounting
  - Net by security (negative value is acceptable)
- FR 2004WI
  - Original issuance par amount
  - Report using trade date accounting
  - Net by security (negative value is acceptable)

# Accounting Rules

## Transaction Data

- FR 2004B
  - Principal value, excluding accrued interest
    - Principal value is the original issuance par amount times the price
  - Report using trade date accounting
  - Cumulative basis. Do not net purchases and sales

# Accounting Rules

## Transaction Data

- FR 2004SI
  - Original issuance par amount
  - Report using trade date accounting
  - Cumulative basis. Do not net purchases and sales
- FR 2004SD and FR 2004WI
  - Original issuance par amount
  - Report using trade date accounting
  - Do not net purchases and sales

# Accounting Rules

## Financing Data

- FR 2004C
  - Report the actual funds paid or received. If only securities are exchanged, report the fair (market) value of the securities pledged
  - Report using settlement date accounting
  - Report on a gross basis; do not net borrowings against loans. FIN 41 does not apply to this report

# Accounting Rules

## Financing Data

- FR 2004SI and FR 2004SD
  - Report at the original issuance par amount of the collateral.
  - Financing that is outstanding as of the report date, is reported using trade date accounting.
  - Report on a gross basis; do not net borrowings against loans. FIN 41 does not apply to this report.



# Accounting Rules

## Financing Data

- FR 2004WI
  - Report forward financing commitments at the original issuance par amount of the collateral.
  - Report using trade date accounting.
  - Long and short financing positions should be reported net by security. Therefore, a negative value can be reported in column 3 (net forward financing commitments).

# Accounting Rules

## Fails Data

- FR 2004C
  - Report transactions that fail at principal value, excluding accrued interest (same as the FR 2004B).
  - Report financing transactions that fail at the amount that was to be paid or received on the day the failed was to be settled (same as the FR 2004C).
  - Cumulative basis for the reporting period only.

# Accounting Rules

## Fails Data

- FR 2004SI and FR 2004SD
  - Report fails at the original issuance par amount of the collateral.
  - Report fails that occurred on the as-of date only.
  - Do not report on a cumulative basis.

# FR 2004A--Weekly Report of Dealer Positions

## Reportable Positions

- Long and short positions in the same issue should be netted by CUSIP
- Forward contracts
- Positions taken in a new U.S. Treasury, federal agency, or GSE security allotment. Include allotments that are awarded on a report date in that day's position

# FR 2004A--Weekly Report of Dealer Positions

## Reportable Positions

- Positions taken in a new corporate issue when the primary dealer is the underwriter or part of the underwriting syndicate
- When-issued positions
- Dollar rolls involving TBA securities, for which the underlying security does not yet exist (*e.g.*, forward MBS)
  - However, exclude dollar rolls that use a specific MBS as collateral because they are treated as repurchase agreements

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Reportable Transactions

- Outright transactions and forward transactions of fixed principal securities
- TIIS
- Purchases of securities by a primary dealer from a customer to complete the buyback process.
  - However, exclude buyback offers accepted by the U.S. Treasury, a federal agency, or a GSE from primary dealers whether on their own behalf or on behalf of their customers

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Reportable Transactions

- When-issued securities
- Dollar rolls involving TBA securities, for which the underlying security does not yet exist (*e.g.*, forward MBS).
  - However, exclude dollar rolls that use a specific MBS as collateral because they are treated as repurchase agreements

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Inter-Dealer Brokers (Column 1)

- Trades made through inter-dealer brokers where the counterparty is revealed after the trade (give-up trades) should continue to be reported as transactions with inter-dealer brokers and not as transactions with others



# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Inter-Dealer Brokers (Column 1)

- Listed in the Fixed Income Clearing Corporation's ("FICC") government securities division member directory

<http://www.ficc.com/gov/gov.mem.dir.jsp>

- Brokers with an asterisk (\*) are inter-dealer brokers

# FICC SAMPLE SCREEN



**Fixed Income Clearing Corporation**  
A subsidiary of DTCC

**FICC**

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12:14 PM / Wed / Oct 29

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Mem. #	Member Name	Service
9502	Hilliard Farber & Co., Inc.	Netting
9503	Tullett Liberty Brokerage Inc.	Netting
9504	Garban LLC	Netting (Bkr), Repo Netting (Dir)
9505	Tradition Asiel Securities Inc.	Netting
9506	Garban LLC / BrokerTec (Cash)	Netting
9507	Cantor Fitzgerald Securities	Netting (Bkr), Repo Netting (Dir), GCF (Dir)
9508	Maxcor Financial Inc.	Netting
9510	Bank of America Securities LLC	Repo Netting/GCF
9511	BNY Brokerage Inc.	Comparison/Repo Comparison
9512	Bear, Stearns & Co., Inc.	Repo Netting/GCF
9513	HSBC Securities (USA) Inc.	Repo Netting
9514	CDC Securities	Repo Netting
9515	J.P. Morgan Securities Inc.	Repo Netting/GCF
9516	Citibank, N.A.	Repo Netting

## FICC Site Search

Enter search text below and click

## What's New

[Process for Implementing Trades to Reduce...](#)

[FICC as Central Counterparty for Mortgage-Backed...](#)

[NSCC Real-Time Trading Matching for Corporate](#)

[STP for Institutional Settlement](#)

## Recent Notices

October 28, 2003:

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Other Counterparties (Column 2)

Include transactions with:

- Primary dealers
- FRBNY (including open market operations, secondary market purchases and U.S. Treasury coupon passes)
- All other counterparties not included in column 1

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Cancels and Corrections - Defined

- Cancel--To void an order to buy or sell a security
- Correction--To take the necessary steps to correct an incorrect trade
  - Example: The purchase/sale of securities for the wrong or an unintended account

# FR 2004B--Weekly Report of Cumulative Dealer Transactions

## Cancels and Corrections

- For prior period cancels and corrections, reduce or increase the next period's transactions by the amount of the error
- Revisions cannot be applied to the next period's transactions if the cancellation or correction from the prior period results in a negative amount in the next period's transactions. In that case, revised prior period data should be submitted

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities In (Column 1)

Contractual arrangements or the pledge of securities to be received from a counterparty

- Reverse Repurchase Agreements
  - Including with FRBNY
  - Tri-party Repurchase Agreements
  - Hold-in-Custody (“HIC”) Agreements

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities In (Column 1)

- Reverse Repurchase Agreements
  - Dollar-rolls (only where specific securities are used as collateral)
  - Matched Sale-Purchase Agreements
  - Any form of synthetic equivalents

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities In (Column 1)

- Securities borrowed
  - Contractual agreements in which securities are borrowed from a counterparty, including a Federal Reserve Bank
  - Report the funds that have been borrowed
  - If only securities are exchanged, report the fair (market) value of the securities



# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities In (Column 1)

- Securities received as pledged
  - Securities that were received by the primary dealer as a pledge against a loan of securities
  - Report the fair (market) value of the securities
- Collateralized loans
  - Report the cash received from a collateralized loan

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities In (Column 1)

- Collateral received from a counterparty as a result of a margin payment, margin call or other type of similar collateral deposit, or held as collateral for another financial contract (*e.g.*, derivatives).
- Arrangements associated with open market operations

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities Out (Column 2)

Contractual arrangements or the pledge of securities to be delivered to a counterparty

- Repurchase Agreements
  - Including with FRBNY
  - Tri-party Repurchase Agreements
  - HIC Agreements

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities Out (Column 2)

- Repurchase Agreements
  - Dollar-rolls (only where specific securities are used as collateral)
  - Matched Sale-Purchase Agreements
  - Any form of synthetic equivalents

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities Out (Column 2)

- Securities lent
  - Contractual agreements in which securities are lent to a counterparty, including a Federal Reserve Bank
  - Report the funds that have been lent
  - If only securities are exchanged, report the fair (market) value of the securities

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities Out (Column 2)

- Securities pledged
  - Securities that were pledged by the primary dealer to secure a borrowing of securities
  - Report the fair (market) value of the securities

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Securities Out (Column 2)

- Collateral delivered to a counterparty (*e.g.*, a clearing corporation) as a result of a margin payment, margin call or other type of similar collateral deposit, or held as collateral for another financial contract (*e.g.*, derivatives)
- Arrangements associated with open market operations

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Memorandum

- Only Repurchase Agreements (“RP”) and Reverse Repurchase (Resale) Agreements (“RRP”) are reported, and only those where the underlying asset is a reportable security



# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

### Fails

- Cumulative for the reporting period only
- Failed transactions that are outstanding two days or more should be summed for each day they are outstanding during the reporting period. This includes fails outstanding over a weekend or a holiday

# FR 2004C--Weekly Report of Dealer Financing and Fails

## Types of Financing

## Fails

- Do not add fails that were outstanding in a prior reporting period to the cumulative total calculated for the current reporting period
- For example, report a fail of \$10 million that began on Tuesday in reporting period 1 and is delivered on Friday of reporting period 2 as:
  - \$20 million for reporting period 1; and
  - \$10 million for reporting period 2

## FR 2004SI--Weekly Report of Specific Issues

- Report positions, transactions, financing and fails data for the most recently issued on-the-run U.S. Treasury securities, including TIIS, for each maturity classification.
- Once a when-issued security has been issued, the security stops being reported on the FR 2004WI and replaces the security with the same maturity classification on the FR 2004SI.

## FR 2004SI--Weekly Report of Specific Issues

- Example:
  - 5-year Treasury note issued 1/15/04 is no longer reported on the FR 2004WI
  - Report on the FR 2004SI as of close of business the first Wednesday after its issuance on 1/21/04
  - Continue to report this 5-year Treasury note on the FR 2004SI until a 5-year U.S. Treasury note is newly issued or re-opened (probably 2/04)

## FR 2004SI--Weekly Report of Specific Issues

- List of securities can be found on the FR 2004SI guide sheet, which can be obtained from:

[http://www.newyorkfed.org/banking/reportingforms/fr\\_2004si.html](http://www.newyorkfed.org/banking/reportingforms/fr_2004si.html)

### Security and Rate (Column 1)

- Securities must be reported in the order indicated on the SI Guide Sheet

# FR 2004SI--Weekly Report of Specific Issues

## Cumulative Outright Transactions (Column 2)

- Report transactions for settled securities only-- whether new or reopened

## Net Settled Positions (Column 3)

- Report a trade arranged for settlement on or before the closing date of the report as settled, even if a fail occurs. If such a trade fails to clear, report it as a fail and report it as part of the net settled position
- Exclude positions in forward contracts

# FR 2004SI--Weekly Report of Specific Issues

## Gross Financing (Columns 4 through 11)

- Counterparty
  - Broker/Dealers (columns 4, 5, 8 and 9)
  - Other Counterparties (columns 6, 7, 10 and 11)
- FR 2004 C--Types of financing

## Fails (Columns 12 and 13)

- Report failed transactions and failed financing transactions that occurred on the as-of date only

# FR 2004SI--Weekly Report of Specific Issues

## Security ID (Column 14)

- The FRBNY security ID is the number of years of the original term to maturity for fixed principal securities
- For TIS securities, add 50 to the number of years of the original term to maturity



# FR 2004SI--Weekly Report of Specific Issues

## FRBNY Security ID (Column 14)

- Based on the current schedule, the reported FRBNY security ID will be:

2 year	2	10 year TIIS	60
3 year	3	30 year TIIS	80
5 year	5		
10 year	10		
30 year	30		

## FR 2004SD--Daily Report of Specific Issues

- Report positions, transactions, financing and fails data on a daily basis for requested securities specified by FRBNY
- Report daily until notification is received from FRBNY to cease daily reporting
- Data should be reported using data definitions and accounting rules that apply to the FR 2004SI

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

- For each new and re-opened U.S. Treasury security offered for sale but not yet issued, report the outright position, net forward financing commitments and outright transactions
- When-issued trading period is the time between the announcement and date of issue (settlement date)
- FR 2004WI reporting begins on the business day following the announcement

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

- The last report is due on the settlement date as of close of business for the previous business day

FR 2004WI guide sheet can be obtained from:

[http://www.newyorkfed.org/banking/reportingforms/fr\\_2004wi.html](http://www.newyorkfed.org/banking/reportingforms/fr_2004wi.html)

## No Activity

- If a dealer has no when-issued activity during the when-issued period, a report must be submitted reflecting zero data.

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

## Re-opened Security

- Report both the previously-issued security and the when-issued security as of close of business the prior day.
- If there is an existing position for the previously-issued security in inventory, this position should be included in the net outright position column on day 1

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

## Security (Column 1)

- For new issues, the coupon is available on the auction date of the security
- For a re-opened issue, the coupon is available at the time of the offering

## Net Outright Positions (Column 2)

- Report net outright positions in the when-issued security and outstanding securities if the Treasury has re-opened the security

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

## Net Forward Financing Commitments (Column 3)

- A forward commitment is a commitment that is scheduled to begin on a date after the report date (for example, an agreement to finance at issuance)
- Report any forward financing commitments involving a reportable re-opened or when-issued security even if no outright position is held

# FR 2004WI--Daily Report of Dealer Activity in Treasury Financing

## Outright Transactions (Columns 4 and 5)

- Report purchases and sales in reportable issues
- Include transactions in the outstanding security if the Treasury has re-opened a security
- Report transactions executed on the report date only



# Who Must Report and Consolidation Rules

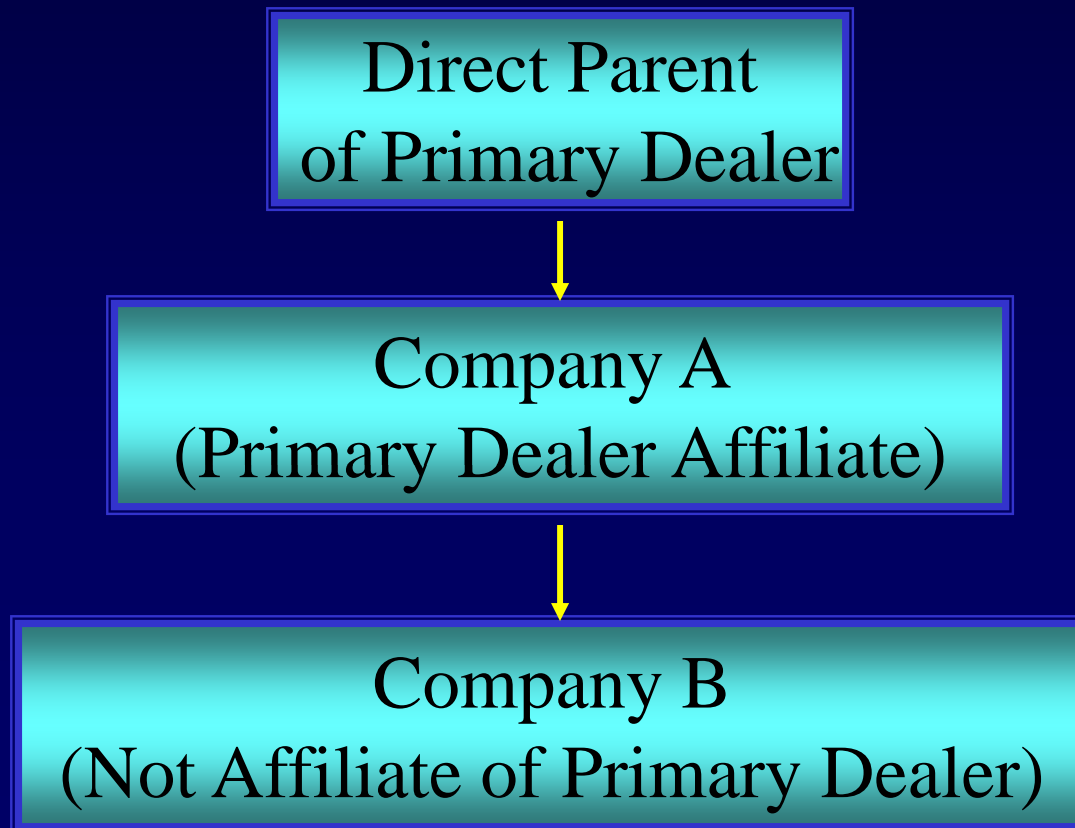
Debra Kuntz

## Who Must Report

- Primary government securities dealers
- Includes:
  - entire legal entity that functions as the primary dealer
  - subsidiaries the primary dealer consolidates in its regulatory reports (*e.g.*, FOCUS or FOG)

# Defining Affiliates

- Affiliates are companies under the control of the direct parent of the primary dealer.



## “Of” Affiliates vs. “With” Affiliates

- Positions, transactions, financing, and fails “of” consolidated entities are included on the FR 2004 reports.
- Positions, transactions, financing, and fails “of” affiliates and unconsolidated subsidiaries are excluded from the FR 2004 reports.

## Example 1

- A consolidated subsidiary of the primary dealer sells Treasury bills from its own portfolio to an individual.
- What is reported on the primary dealer's FR 2004 reports?

## Example 1 Answer

- A consolidated subsidiary of the primary dealer sells Treasury bills from its own portfolio to an individual.
- What is reported on the primary dealer's FR 2004 reports?
  - the position reduction is reflected on the FR 2004A
  - the transaction is reported on the FR 2004B

## Example 2

- An affiliate of the primary dealer sells Treasury bills from its own portfolio to an individual.
- What is reported on the primary dealer's FR 2004 reports?

## Example 2 Answer

- An affiliate of the primary dealer sells Treasury bills from its own portfolio to an individual.
- What is reported on the primary dealer's FR 2004 reports?
  - nothing
  - positions, transactions, financing, and fails “of” the affiliate are not included on the FR 2004 reports



## “Of” Affiliates vs. “With” Affiliates

- Positions, transactions, financing, and fails “with” consolidated entities are excluded from the FR 2004 reports.
  - do not report internal trades
  - do not report trades between desks or departments

## “Of” Affiliates vs. “With” Affiliates

- Positions, transactions, financing, and fails “with” affiliates and unconsolidated subsidiaries are included on the FR 2004 reports.
  - report as third-party transactions

## Example 3

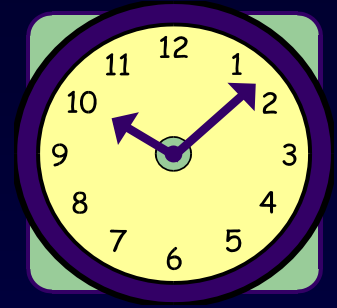
- An affiliate of the primary dealer sells Treasury bills from its own portfolio to a consolidated subsidiary of the primary dealer.
- What is reported on the primary dealer's FR 2004 reports?

## Example 3 Answer

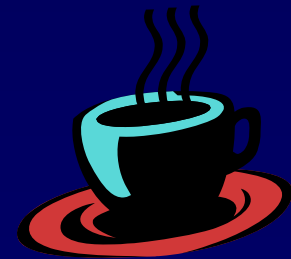
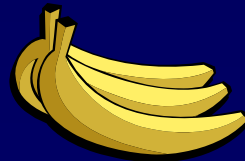
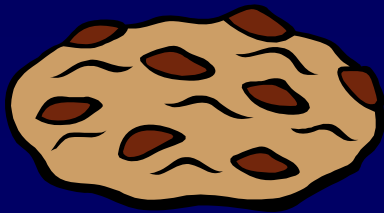
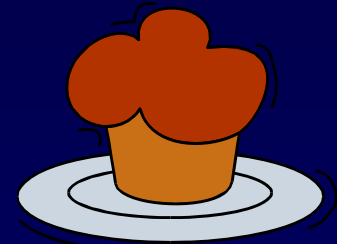
- An affiliate of the primary dealer sells Treasury bills from its own portfolio to a consolidated subsidiary of the primary dealer.
- What is reported on the primary dealer's FR 2004 reports?
  - the position increase is reflected on the FR 2004A
  - the transaction is reported on the FR 2004B

## Consolidation Rules Summary

- All reportable positions, transactions, financing, and fails of the primary dealer and its consolidated subsidiaries are reported on the FR 2004 reports.
- All other entities within the organization (*e.g.*, the primary dealer's parent, affiliates, and unconsolidated subsidiaries) are treated like third-party entities for FR 2004 reporting.



# BREAK



# Underwriting of Corporate Debt

Paula Webster

# The Underwriting Process When the Primary Dealer Is Part Of An Underwriting Syndicate

## ALG ENTERPRISE

Lead Manager and Bookrunner  
**PDW CAPITAL MARKETS**  
Primary Dealer

Co-Lead manager and Co-Bookrunner  
**VPS MARKETS AT LLC**  
Primary Dealer

**INVESTOR A**

**INVESTOR B**

**INVESTOR C**

**INVESTOR D**



## PRIMARY MARKET

- Report change to position on the FR 2004A
- Do not report as a transaction on the FR 2004B

## SECONDARY MARKET

- Report change to position on the FR 2004A
- Report as a transaction on the FR 2004B

# The Underwriting Process When the Primary Dealer Is An Investor

**ALG ENTERPRISE**

**UNDERWRITING SYNDICATE**

**PRIMARY DEALER  
A**

**PRIMARY DEALER  
B**

**PRIMARY DEALER  
C**

**PRIMARY DEALER  
D**

## Secondary Market

- Report change to position on the FR 2004A
- Report as a transaction on the FR 2004B

# Reporting of Treasury Auction Allotment

- The Treasury announces a new issue of a security
- The auction takes place a few days later (in most cases)
- Each primary dealer purchases a desired amount of the security on behalf of themselves (house bids)
  - Report the position on the FR 2004A
  - Purchase is not considered a transaction on the FR 2004B report

# Reporting of Treasury Auction Allotment

- Each primary dealer then sells or trade these securities in the secondary market to their customers. The transactions between the primary dealer and their customers are then reported on the FR 2004B report

# Editing

Paula Webster

# Review and Editing Procedures

## FR 2004 Report Series

### Historical Data Time Series Analysis

- Historical Data Report (current week and up to 25 prior weeks with an option to select up to 51 prior weeks)
- Shows data trends

# Review and Editing Procedures

## FR 2004 Report Series

- Shows data trends
  - Highest week-to-week changes
  - Shift from long to short or short to long net positions
  - Shift from inter-dealer broker to other broker or other broker to inter-dealer broker
  - Shift from overnight to term or term to overnight
  - Matched book financing



# Review and Editing Procedures

- Relationship to Weekly Statistical Release

Weekly Statistical Release analysis is based on aggregate data

FR 2004A

- Shows long, short and net position columns
- Net position data are reported on Table III of the Weekly Statistical Release

# Review and Editing Procedures

- Relationship to Weekly Statistical Release  
FR 2004B
  - Shows transactions with inter-dealer brokers, others and a total transaction column
  - Total transactions data are reported on Tables I and II of the Weekly Statistical Release

# Review and Editing Procedures

- Relationship to Weekly Statistical Release

- FR 2004C

- Shows overnight, term and total financing columns
    - Total financing data are reported on Table IV of the Weekly Statistical Release
    - Fails to receive and deliver will be reported on Table V of the Weekly Statistical Release

# Comparison Within the FR 2004C Report

<u>Memorandum</u>	<u>Lines</u>	<u>Column</u>
Overnight RRP	O/N & Cont. 1A thru 1D	1
Term RRP	Term 2A thru 2D	1
Overnight RP	O/N & Cont. 1A thru 1D	2
Term RP	Term 2A thru 2D	2

# Comparison Within The Report

## FR 2004SI or FR 2004SD

- The net settled position should be equal to the net financing and fails data

### **Example 1:**

<u>line</u>	<u>position</u>	+	<u>sec in</u>	-	<u>sec out</u>	-	<u>fr</u>	+	<u>ftd</u>	=	<u>excess/deficit</u>
1	-497		6,392		5,757		0		13		151

### **Example 2:**

<u>line</u>	<u>position</u>	+	<u>sec in</u>	-	<u>sec out</u>	-	<u>fr</u>	+	<u>ftd</u>	=	<u>excess/deficit</u>
1	-6		105		150		9		0		-60

- Both results may generate a question

# Comparison Within The Report

## FR 2004WI

- Net outright positions should reconcile between daily report dates
- Current net outright positions should equal prior day's net outright positions plus the current day's net outright transactions

### **Example 1:**

MATURITY RATE	NET POSITION 10/6/03	+	PURCHASES 10/7/03	-	SALES 10/7/03	=	NET POSITION 10/7/03	DISCREPANCY
11/15/06	2.675%	100	1,000	500	600	0		

# Comparison Within The Report

## FR 2004WI

- On the auction date, the current net outright position should equal the prior day's net outright position plus the current day's net outright transactions plus the allotment received from the U.S. Treasury auction

### **Example 2 - Auction Date:**

MATURITY RATE	NET POSITION 10/7/03	+ PURCHASES 10/8/03	- SALES 10/8/03	+ ALLOTMENT	= NET POSITION 10/8/03
11/15/08 3.375%	-600	1,500	1,000	200	100

# Comparison To Other Reports

## FR 2004A vs. FR 2004B

- Change in positions (between two weeks) on the FR 2004A should be less than the level of transactions reported on the current week
- FR 2004B
-



# Comparison To Other Reports

## FR 2004A vs. FR 2004B

### Example:

<u>FR 2004A</u>		<u>FR 2004B</u>		<u>DIFFERENCE</u>
<u>TIIS Long</u>	<u>TIIS Short</u>	<u>TIIS w/IDB</u>	+ <u>TIIS w/Others</u>	
10/01/03	226	162	10/01/03 188	397
09/24/03	230	1,423	= Ttl. Trans. 585	
Change in Net Position =   226 - 230   +   162 - 1,423   = 1,265				
Change in Net Position - Ttl. Trans. =				680
(1,265) - (585) =				680

- Result may generate a question

# Comparison To Other Reports

## FR 2004A vs. FR 2004SI and FR 2004WI

- Positions on the FR 2004A are usually equal to, or greater than, positions reported on the FR 2004SI and FR 2004WI

### Example:

<u>FR 2004A</u>	<u>FR2004SI</u>	<u>FR2004WI</u>	<u>A- (SI+WI)</u>
<u>TIIS Long</u>	<u>Net Settled POS</u>	<u>Net Outright POS</u>	
3,000	4,000	1,000	-2,000

- Result may generate a question

# Comparison To Other Reports

## FR 2004B vs. FR 2004SI and FR 2004WI

- Transactions on the FR 2004B are usually equal to, or greater than, transactions reported on the FR 2004SI and FR 2004WI

### **Example 1:**

<u>FR 2004B</u>	<u>FR 2004SI</u>	<u>FR 2004WI</u>	
TIIS	Outright	Outright	
<u>(IDB+Others)</u>	<u>Volume</u>	<u>Transactions</u>	<u>B-(SI+WI)</u>
100	200	100	-200

### **Example 2:**

<u>FR 2004B</u>	<u>FR 2004SI</u>	<u>FR 2004WI</u>	
TIIS	Outright	Outright	
<u>(IDB+Others)</u>	<u>Volume</u>	<u>Transactions</u>	<u>B-(SI+WI)</u>
4,000	30 yr 1,000	500	2,500

# Comparison To Other Reports

## FR 2004C vs. FR 2004SI

- U.S. Treasury financing and fails on the FR 2004C are usually equal to or greater than U.S. Treasury financing and fails reported on the FR 2004SI

Example:

<u>FR 2004C</u>	<u>FR 2004SI</u>	<u>C-SI</u>
<u>Fails To Receive</u>	<u>Fails To Receive</u>	<u>Difference</u>
5,000	6,000	-1,000

- Result may generate a question

# Resolution of Data Inquiries

- Explain unusual changes or discrepancies based on :
  - Cyclical market conditions
  - Economic indicators
  - Economic news
  - Changes in business strategy
- Timeframe
  - All answers should be provided by close of business the following Wednesday

# Resolution of Data Inquiries

- Submit revisions as necessary
  - Revisions must be submitted via the IESUB System
  - Contact your FR 2004 analyst when sending a revision

# Uses of FR 2004 Report Data

Richard Dzina and Frank Keane

# Treasury Market Policy Staff

- The Treasury Market Policy Staff in the Markets Group is the primary end-user of FR 2004 Report Series Data
- TMP Staff Mandate: promote the smooth functioning of the U.S. Treasury market



# TMP Business Lines

- Securities Lending
  - which the Desk provides a secondary and temporary source of securities to the Treasury financing market to facilitate the smooth clearing of Treasury securities
- Debt Buybacks
  - which the Desk acts as agent for the Treasury department buying back debt in the secondary market

# TMP Business Lines

- Debt Management Advisory
  - which the staff provides advisory services to Treasury across a host of debt management issues, including issuance, performance metrics, and auction analysis, and responds to ad-hoc Treasury inquiries and requests
- Market Surveillance
  - which the staff supports the work of an inter-agency working group to protect and promote the integrity and efficiency of the Treasury market by identifying anomalous pricing relationships in the cash and financing markets

# TMP Analytical Responsibilities

- Treasury coupons, bills, and the shape of the yield curve
- TIIS
- Treasury Liquidity and Market Function
- Treasury Futures
- Fixed Income Volatility and Relative Value
- Treasury Specials
- Strips

## Uses of FR 2004 Report Data

- FR 2004 data contains aggregated data (Schedules A, B, and C) and CUSIP level data (SI data)
- Permits us to make empirical observations about market function
  - Aggregated data useful in assessing liquidity conditions and settlement complications.
  - Specific Issue data useful in fulfilling market surveillance responsibilities

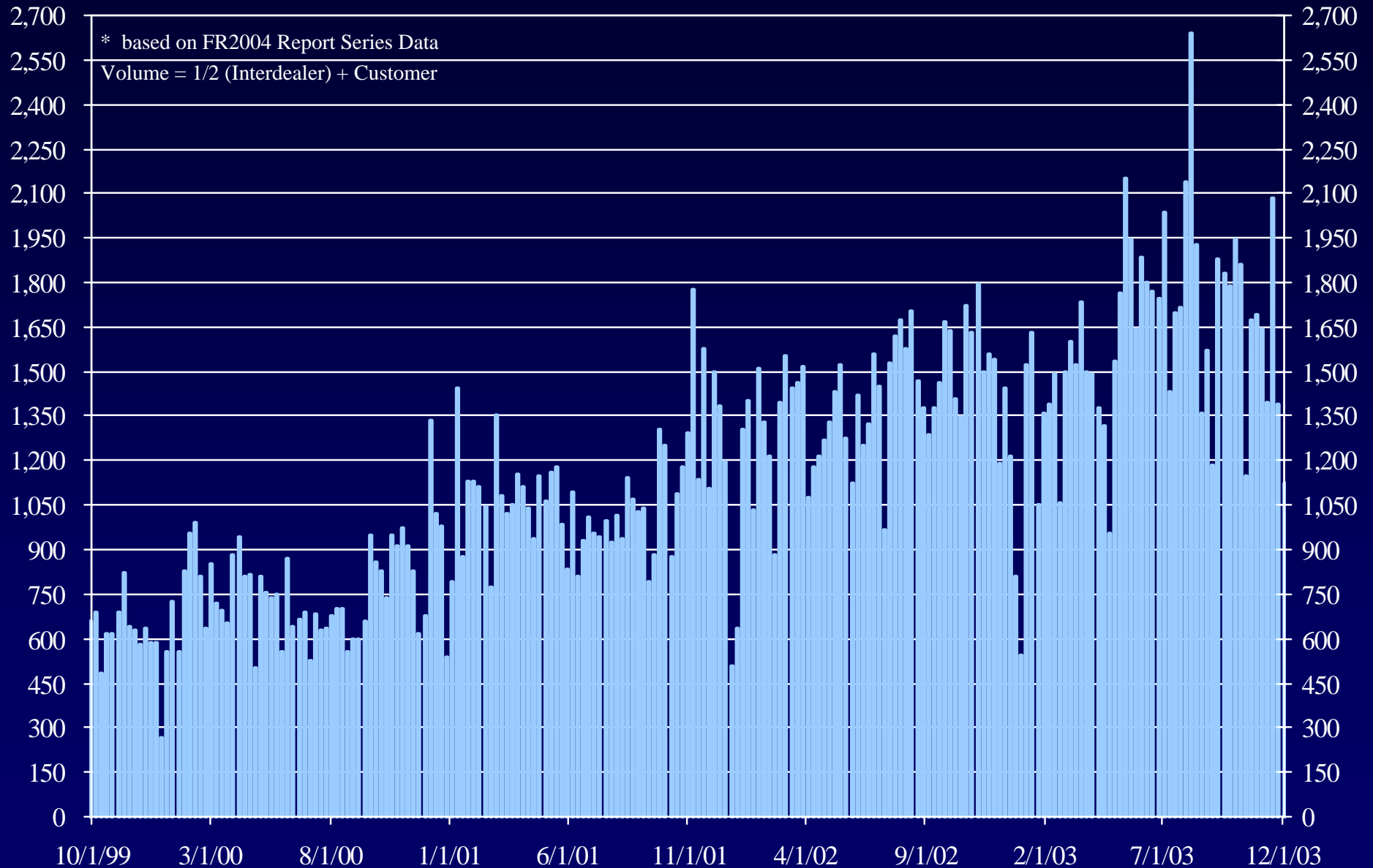
## Uses of FR 2004 Report Data

- Assists in identifying structural changes in the marketplace
  - Relative volumes across maturity sectors and instruments
  - Shifting dynamics across inter-dealer and customer activity
  - Relative market share of primary dealers

# Cumulative Weekly Treasury Trading Volume

in billions

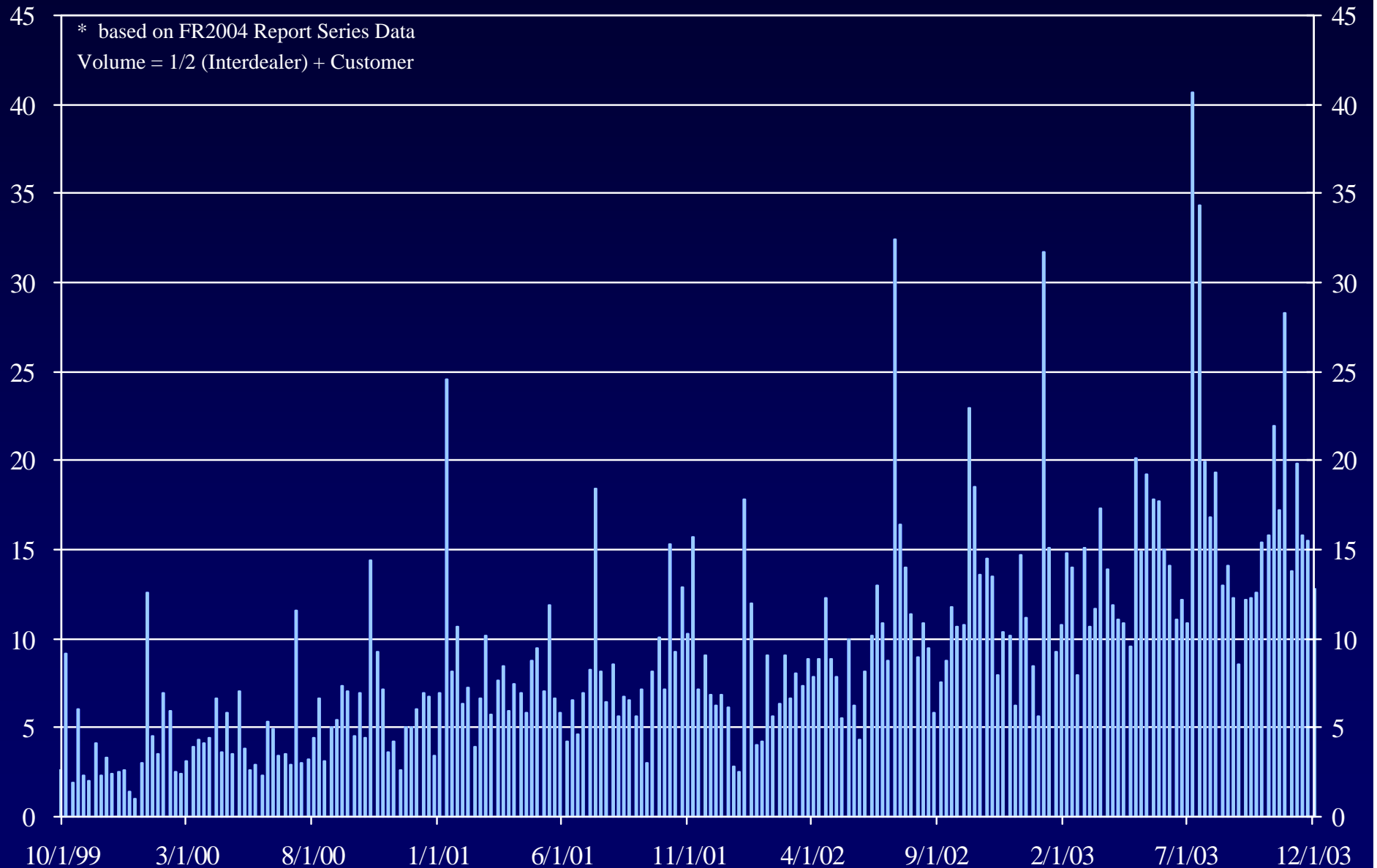
in billions



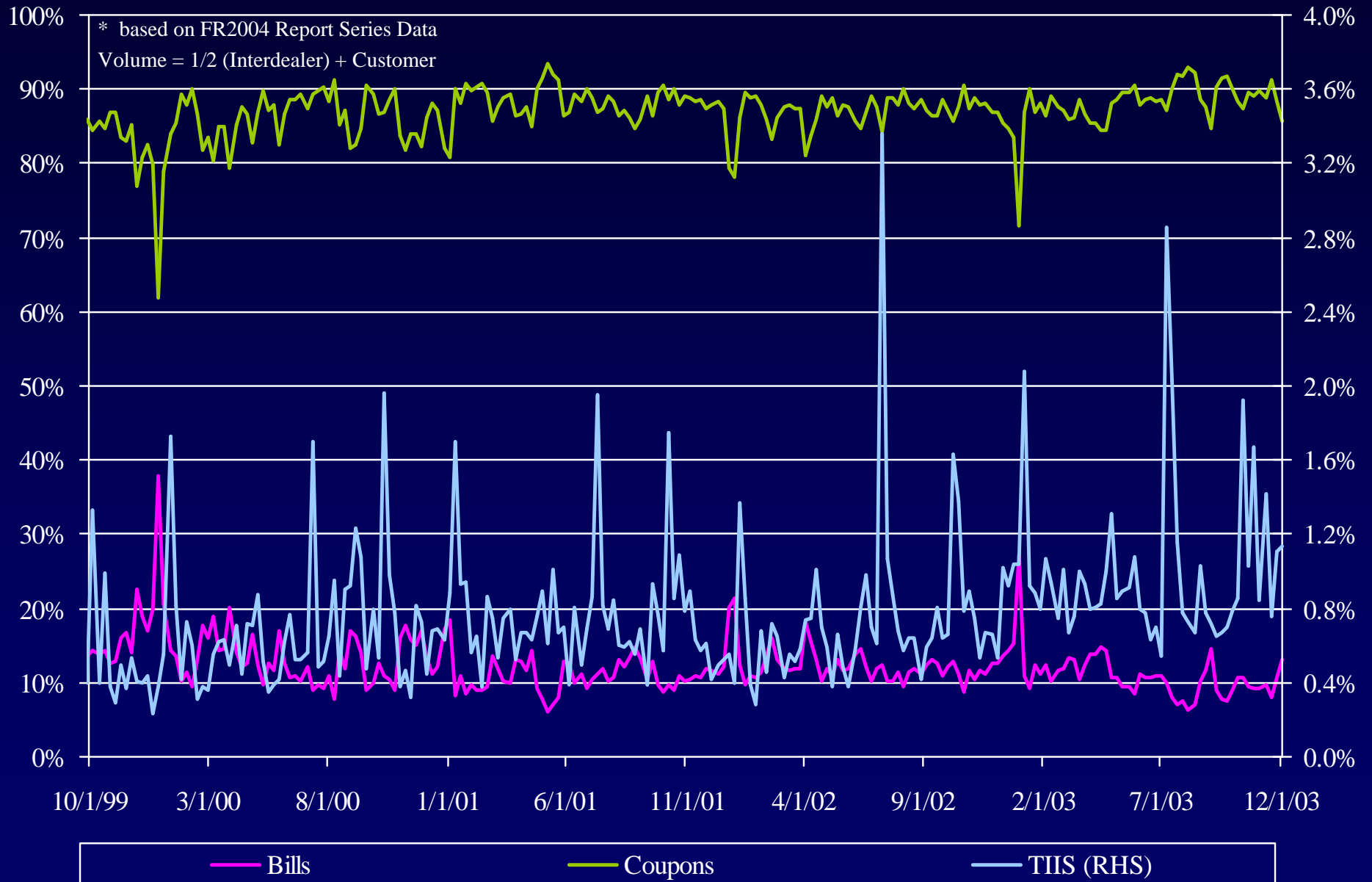
# Cumulative Weekly TIS Trading Volume

in billions

in billions

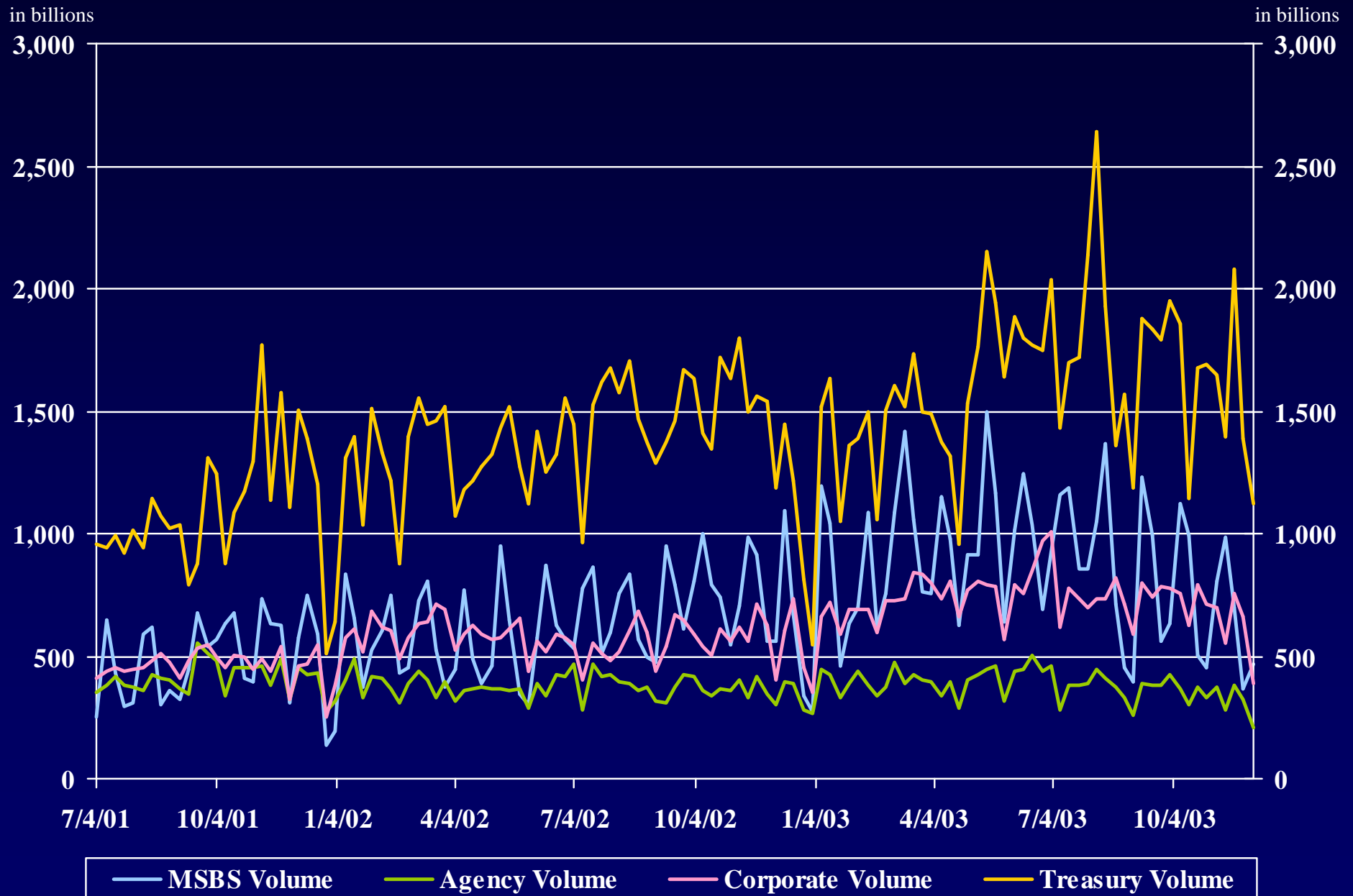


# Trading Volumes as a % of Total Treasury Volume





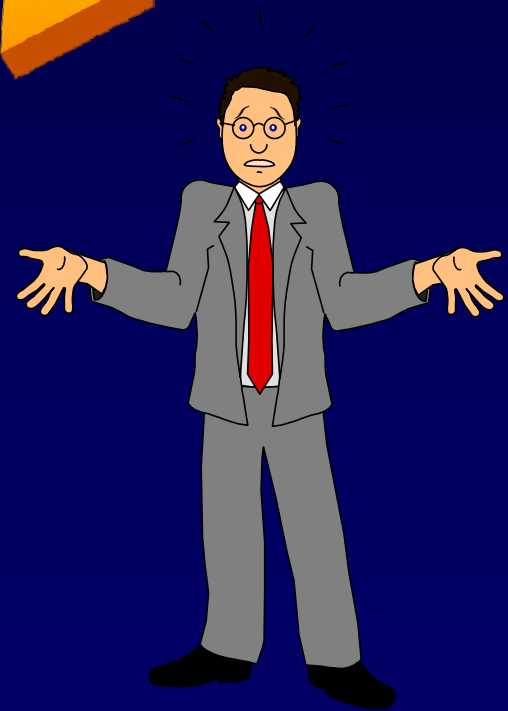
# Weekly Cumulative Trading Volumes



# New Primary Dealer Website

Aaron Gononsky

Q & A



END

