

## Tri-Party Repo Infrastructure Reform Task Force

### PRESS RELEASE

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#### Tri-Party Repo Infrastructure Reform Task Force Issues Progress Report on Direction of Reform

Today, the Tri-Party Repo Infrastructure Reform Task Force (“the Task Force”), under the auspices of the Payments Risk Committee (PRC), issued a Progress Report to update market participants and provide additional detail around the previously communicated reforms<sup>1</sup> addressing key infrastructure weaknesses of U.S. tri-party repo transactions.

The Task Force is largely on track with the schedule outlined in its May 2010 recommendations and reiterates that its key end-state objective is the practical elimination of intraday credit. There are significant operational changes occurring this year which provide the necessary foundation for this objective and will require attention and action from all tri-party repo market participants. The following are some highlights of these changes:

- Since **June 27, 2011** all dealers have been using automated collateral substitution functionality provided by their Clearing Banks. This has facilitated moving the unwind for non maturing repos (excluding rehypothecated collateral) to 3:30pm NYT instead of early in the morning.
- Starting **July 25, 2011** the unwind for maturing repos (excluding rehypothecated collateral) will move to 10:00am NYT
- On **August 22, 2011** the unwind for all tri-party repo trades will move to 3:30pm NYT (excluding Interbank GCF collateral)
- Dealers and Cash Investors must have signed addendums by **July 25, 2011** in preparation for **August 29, 2011** when all tri-party repo transactions must be confirmed by each party to the trade in order to settle<sup>2</sup>.

“The Task Force has succeeded in designing and implementing important pre-requisite steps toward the objective of the ‘practical elimination’ of intraday credit provided by the clearing banks” said Darryll Hendricks, Chairman of the Task Force. “I encourage all market participants to take immediate action to ensure that they are fully prepared for the upcoming changes. These are, however, pre-requisites and the Task Force is continuing to develop the remaining steps to achieve our objectives.”

Although the original goal was to fully achieve this end-state objective in 2011, it became apparent as the Task Force worked through the details that the current settlement process will not accommodate execution of a simultaneous “unwind and rewind” of maturing and new trades early enough in the afternoon to be workable for market participants and a more substantial re-engineering of tri-party repo settlement mechanisms may be needed. The Task Force will continue to advance changes in this and other areas, and will release a revised timeline this fall which will include the following key milestones:

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<sup>1</sup> See the Task Force report published May 17, 2010 ([http://www.newyorkfed.org/prc/report\\_100517.pdf](http://www.newyorkfed.org/prc/report_100517.pdf))

<sup>2</sup> June 9, 2011 Press Release - Tri-Party Repo Infrastructure Reform Task Force Confirms Implementation of Three-Way Confirmations in August 2011: [http://www.newyorkfed.org/tripartyrepo/pdf/PR\\_110609.pdf](http://www.newyorkfed.org/tripartyrepo/pdf/PR_110609.pdf)

- Substantial reengineering of settlement processes to facilitate the ongoing lockup of collateral until maturity date, and to facilitate the return of maturing cash to lenders as early as possible in the afternoon.
- Requirement that clearing banks provide intraday credit on a committed line basis only and capped at 10% of the dealer's aggregate repo book.

All of the Dealer firms on the Task Force, representing over 75% of the total tri-party market, are in the process of communicating these imminent and important changes to the market directly with their clients and working closely to ensure they are prepared. Investors that have not begun to adapt their processes for these changes should contact their counterparties and clearing banks immediately to make sure they have adequate information and support to do so.

The Task Force previously consulted with the industry and public on the upcoming changes by requesting comments in December 2010 and by holding extensive discussions with tri-party repo participants. The Task Force plans to continue this consultative approach.

#### *About the Task Force*

The Tri-Party Repo Infrastructure Reform Task Force was formed in September 2009 under the auspices of the Payments Risk Committee, a private sector body sponsored by the Federal Reserve Bank of New York. The Task Force was formed at the request of the New York Fed to address weaknesses that became visible over the course of the recent financial crisis. Mr. Darryll Hendricks, of UBS Investment Bank, is chairman of the Task Force. On May 17, 2010, the Task Force published a report with recommendations for improving the infrastructure of the U.S. tri-party repo market. The full report is also available on the Task Force website.

The work of the Task Force is developed through the joint efforts of a large number of market participants. Task Force membership includes representatives from multiple types of market participants in the tri-party repo market and relevant industry associations. Federal Reserve and SEC staff participated in meetings of the Task Force as observers and technical advisors.

For additional information about the Task Force and its work visit: <http://www.newyorkfed.org/tripartyrepo>  
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