

MEMO# 25313

July 6, 2011

Tri-Party Repo Task Force Issues Progress Report

[25313]

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 42-11
SEC RULES MEMBERS No. 80-11 RE: TRI-PARTY REPO TASK FORCE ISSUES PROGRESS
REPORT

Today, the Tri-Party Repo Infrastructure Reform Task Force (“Task Force”), under the auspices of the Federal Reserve Bank of New York’s Payments Risk Committee, issued a progress report to update market participants and provide additional detail around the previously communicated reforms addressing key infrastructure weaknesses of U.S. tri-party repo transactions. [\[1\]](#)

According to the progress report, 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. The progress report highlights the significant operational changes occurring this year, including the following 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 3:30 pm 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.

Although the original goal was to fully achieve the practical elimination of intraday credit in 2011, the progress report notes 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 reengineering of tri-party repo settlement mechanisms may be needed. According to the progress report, the Task Force will continue to advance changes in this and other areas, and will release a revised timeline this fall that will include the following key milestones:

- 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 percent of the dealer's aggregate repo book.

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endnotes

[1] The progress report is available at
http://www.newyorkfed.org/tripartyrepo/pdf/tpr_progress_report_110706.pdf.

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