

The logo for the Treasury Market Practices Group (TMPG) is displayed against a dark blue background featuring a grid pattern and a ruler with numbers 23 and 30. The text "TMPG" is in a large, white, serif font, followed by a vertical bar and the full name "Treasury Market Practices Group" in a smaller, white, sans-serif font.


TMPG | Treasury Market Practices Group

Announcement

TMPG, Fixed Income Clearing Corporation and Clearing Banks Discuss Best Practices for General Collateral Financing

April 28, 2008

As part of the Treasury Market Practices Group's ("TMPG") mission to promote the integrity and efficiency of the Treasury market, the TMPG interacts with institutions that play integral roles in the market. The TMPG recently met with select clearing institutions to discuss the practice of placing Treasury securities trading with deep scarcity value ("special") in securities financing markets in general collateral financing arrangements, such as GCF Repo® and tri-party repo.

GCF Repo® and tri-party repo play an important role in maintaining the efficiency and liquidity of the Treasury market by allowing financing in general collateral repo transactions. Absent unique circumstances, the placement of securities trading special into GCF Repo® or tri-party repo can impede liquidity and undermine the integrity and efficiency of the Treasury market and therefore is not consistent with the TMPG's [Treasury Market Best Practices](#).  PDF

Specifically, the Best Practices:

- recommend that firms adopt a strong presumption against using GCF Repo® or tri-party repo to finance large portions of an issue trading deeply special, even on an overnight basis, and that management, legal and compliance functions of those firms should be notified of such activity in a timely manner,

- advise market participants with large positions to make a good faith attempt to lend a security trading deeply special into the specials market, rather than choosing to finance large portions of this collateral in relatively more expensive funding arrangements, and
- recommend that management promptly review instances when a substantial percentage of the floating supply of a security trading deeply special is placed in general collateral funding arrangements, such as GCF Repo® or tri-party repo.

The TMPG believes the widespread acceptance of the Best Practices has improved Treasury market liquidity and functioning. The TMPG strongly encourages market participants to review and, if necessary, adjust their practices to guard against financing specials in GCF Repo® and tri-party repo in a manner which is inconsistent with the above advice.