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VIA EMAIL & U.S MAIL

June 23, 2003

Ms. Debra Kuntz
Staff Director
Statistics Department
Federal Reserve Bank of New York
33 Liberty Street, 4th Floor
New York, N.Y. 10045-1003

Re: Proposed Instructions For Preparing FR 2004 Reports

Dear Debra:

The Bond Market Association¹ ("Association" or "TBMA") welcomes this opportunity to comment on the draft that the Federal Reserve Bank of New York ("FRBNY or Bank") has developed entitled "Instructions For Preparing the FR 2004 Primary Government Securities Dealers Report" ("Draft Instructions").

The Association and its members believe that these instructions are a welcome addition to the guidance currently provided to the Primary Dealers that voluntarily submit the FR 2004 reports. We are also strongly supportive of the Bank's overall efforts to minimize the regulatory burden faced by Primary Dealers in complying with the FR 2004 reporting regime.

We have a number of suggestions on how the Draft Instructions might be improved. First, with respect to reporting positions under the appropriate maturity classification (page 6.), we would urge you to provide greater clarity with respect to the treatment of callable fixed and floating-rate debt securities. We would recommend that you clarify whether all types of callable fixed-rate debt securities (European, Bermudan and American-style) should be categorized based on the time to next call date, which in the case of a continuously callable security may be the next business day.

It is also unclear whether floating-rate debt securities should be categorized based on the time to the next call date or the next repricing date. It would be our recommendation that only floating-rate debt securities that are puttable back to the issuer on the re-pricing date should be reported based on the re-pricing date.

¹ The Association represents securities firms and banks that underwrite, distribute and trade in fixed income securities, both domestically and internationally, including all primary dealers recognized by the Federal Reserve Bank of New York. Our members are also actively involved in the funding markets for such securities, including the repurchase and securities lending markets. Further information regarding the Association, its members, and activities, can be obtained from our public website <http://www.bondmarkets.com>.

Second, with respect to FR 2004C and Securities Out (column 2) (page 13), it is not clear whether the category for collateral delivered to a counterparty includes various types of margin payments or other collateral deposited with, or securing obligations of, a Primary Dealer to a clearing corporation (such as the Fixed Income Clearing Corporation and the Board of Trade Clearing Corporation) or other central counterparty. Moreover, while it is clear that collateral delivered to a counterparty to support obligations under a swap agreement are covered, it could be made clearer what other sort of contracts qualify as “financial contracts” for purposes of this reporting item.

Third, with respect to FR 2004SI (page 15) the method for adding an extra number to the principal amount of a position in TIIS on Lines #6, #7 (your lines #5, #6) could be made clearer. (We also note that you have allocated Line #5 to both 30-year bonds and 10-year TIIS).

Fourth, regarding the FR 2004WI and re-opened securities (page 19), the last line should read “should be included...” since the net outright position being reported will include both WI and outright trades in that CUSIP.

Finally, we would propose the following redrafting of the definition of the term (“Settlement Date”): Settlement Date – The contractually agreed upon date on which a security is to be delivered to the purchaser and payment is to be made to the seller.

In closing, the Association appreciates this opportunity to comment on the Draft Instructions for the FR 2004 reporting regime. If you have any questions in respect to this letter, please contact the undersigned at 646.637.9222 or efoster@bondmarkets.com.

Sincerely,

Eric L. Foster
Vice President &
Associate General Counsel

cc: *The Bond Market Association*
 Government Division Executive Committee
 Government Legal and Compliance Committee
 FR 2004 Reports Working Group
 Funding Division Legal Advisory Committee

 Paul Saltzman, Executive Vice President and General Counsel
 Legal & Professional Staff