



Invested in America

Treatment of Treasury Floating Rate Notes Update No. 2014-1

Repo Trading Practice Guidelines

A. Introduction

- a. For the avoidance of doubt in the market, the Funding Executive Committee of the Securities Industry and Financial Markets Association (“SIFMA”) is publishing a Trading Practice Guideline with respect to the treatment of the U.S. Treasury’s floating rate notes in term repo transactions. This Guideline is meant to provide clarity and consistency for market participants and eliminate disputes.

B. Trading Practice Text

S. Treatment of U.S. Treasury Floating Rate Notes

- a. In order to promote efficiency, liquidity and clarity in the repo markets, the Funding Division Executive Committee of SIFMA recommends that U.S. Treasury Floating Rate Notes (“FRNs”) may be used as good collateral for all term repo trades in which U.S. Treasury notes and bills with fewer than 10 years to maturity are acceptable. The Committee also recommends that FRNs may be used as collateral for all substitution replacements on new and existing trades.

- b. This Repo Trading Practice Guideline is a recommendation only and is intended for SIFMA’s member firms in order to promote the smooth functioning of the market for securities. The recommendation does not and should not restrict the flexibility of counterparties to negotiate the specific terms of any particular repo transaction.***