



Update No. 98-1 Restated Repo Trading Practices Guidelines

The Government and Federal Agency Securities Division has recently revised its recommended trading practice guideline for the cash government securities market, further limiting the recommended circumstances when the cash government securities markets should go "subject". The new Government Securities Trading Practice Guideline recommends that the cash markets go "subject" only for significant Fed Open Market Operations that signal a change in monetary policy, discount rate changes, and major occurrences that are expected to have a significant effect on the government securities markets (e.g. presidential assassination, state of emergency), but not for daily Fed Open Market Operations or Fed coupon or bill passes. The current Repo Trading Practice Guideline provides that the repo markets should "go subject" whenever the cash markets "go subject".

The Trading Practices Committee of the Funding Division has opted not to follow the new cash market guideline, but to maintain the current recommendation for the repo markets to go "subject" for all Fed Open Market Operations, Discount Rate changes, and Fed Funds target rate changes. This would continue to include daily Fed Open Market Operations as well as Fed coupon and bill passes.

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

(The following paragraph shall supersede paragraph B.3. in the Restated Repo Trading Practices Guidelines)

B. Screen Guidelines

3. Going "Subject"

All repo markets should "go subject" for all Fed Open Market Operations (including Fed Daily Open Market Operations, Discount Rate changes, Fed Funds target rate changes and Fed coupon and bill passes) and any other major event that is anticipated to have a significant effect on the repo markets. For all other events and numbers, the markets should stay "live".