



Delay in Treasury Payments: SIFMA Playbook

May 2023

Outline of Process:

If either SIFMA members or SIFMA staff understand that there may be a delay in payment on Treasury debt (because of systems failures, natural disaster, terrorist acts or other reasons), a series of calls will be held while the event is ongoing. The purpose of these calls, which are timed to coordinate with significant operational milestones in the Treasury market settlement infrastructure, is to coordinate the industry response and share information on what is being done at utilities, clearing banks and the Fedwire service to permit individual firms to appropriately plan for possible delayed or missed payments. The focus of these calls is on the operational impact of delayed payments.

The call schedule will only be triggered upon the recommendation of the leadership of the Rates/Funding Committee, Ops-Tech Committee, the Government Operations Committee or the AMG Steering Committee.

All times are Eastern Time (ET).

Schedule of Calls:

- 6:45 p.m.
- 10:15 p.m.
- 7:30 a.m. day of expected payment
- 11:00 a.m.
- 2:00 p.m.

Call Script:

All calls will generally follow the script below:

- SIFMA update on any Treasury or other government announcements
- Update from Federal Reserve Financial Service (FRFS) - Fedwire
- Update from FICC
- Update from clearing banks
- Updates from dealer firm/readiness
- Open questions from firms

SIFMA Participants: Gov't Ops Committee, AMG Steering Committee, Ops-Tech Committee, Rates/Funding Committee

Open Questions from firms

In order to streamline the calls and to focus on the most significant issues, firms are asked to email questions prior to any scheduled call to tprice@sifma.org or rtoomey@sifma.org. SIFMA will seek to get the answers before the calls so the issues can be reviewed quickly.

Dial-in Information

All calls will use the following dial-in information:

[Placeholder]

Call Schedule and Goals for Each Call

Through consultation with the leadership of the Rates/Funding Committee, the AMG Steering Committee, the Ops-Tech Committee and the Government Operations Committee, SIFMA will notify the participating groups that an initial call will be activated. While the goal will be to have this decision by 6:30 p.m., events may dictate shorter notification.

6:45 PM Call

Goal/Agenda of call:

1. Update on any news from the Federal Reserve Financial Service (FRFS), Treasury or the Administration on status of possible payment delays. (*SIFMA staff*)
2. Update from Federal Reserve Financial Service (FRFS) on how they will be handling their end-of-day processes. Specifically, we will expect that the Federal Reserve Financial Service (FRFS) will inform the group whether the US Treasury has directed them to delay normal Fedwire processes or make any changes to securities' maturity dates. (*Fedwire representatives*)
3. Initial report from FICC on any delays/changes in their processes. (*FICC representatives*)
4. Initial report from the clearing bank on any delays/changes in their processes. (*BoNYM representatives*)
5. Issues raised by firms prior to call (*as necessary: SIFMA staff*)

Industry processes occurring in parallel in the normal course: US Treasury to notify Federal Reserve Financial Service (FRFS) by 6:30 if there is a potential modification to that night's processing schedule or the next day's scheduled payments. 7:00 Fedwire closes and regular end-of-day process runs; ~7:15 BNY-Mellon clearing bank receive file from Fedwire with info on maturing CUSIPs. 8:00 firms handling their own end-of-day processes; 8:00 FICC end-of-day process; (FICC can extend beyond 8:00 if necessary); 8:00 Asian trading day starts.

Expected Results

****If Fedwire delays normal processing, the 10:15 p.m. call will be scheduled.**

****If Fedwire is operating normally, NO FURTHER CALLS WILL BE NECESSARY.**

Potential Unscheduled Call

****If Fedwire has delayed normal processing but announces a change to that after the 6:45 p.m. call but prior to the 10:15 p.m. call, there may be need to schedule a call to ensure shared understanding.**

10:15 PM Call

Goal/Agenda of call:

1. Update on any news from Federal Reserve Financial Service (FRFS), Treasury or the Administration on status of possible payment delays. (SIFMA staff)
2. Update from Federal Reserve Financial Service (FRFS) on status of Fedwire process and any updates for expected timing of end-of-day processing. If the end-of-day process has run since the last call, update on the status of any operationally extended maturity dates. (Fedwire representative)
3. Report from FICC on timing for running their end-of-day. (FICC Representatives)
4. Report from the clearing bank on timing for running their end-of-day. (BoNYM representatives)
5. Reports from dealer firms on timing of end-of-day processes (Dealer representatives)
6. Issues raised by firms prior to call (as necessary: SIFMA staff)

Industry processes occurring in parallel in normal course: 10:00 Deadline for US Treasury to provide written notification for modifications to the next day's scheduled payments; ~10:00 firm batches complete.

Expected Results

****Final determination of any operationally extended maturity dates within Fedwire.**

****Participants to recreate positions (if necessary).**

****Determination if 7:30 a.m. call is necessary.**

7:45 AM Expected day of payments (if necessary)

Goal/Agenda of call:

1. Update from Federal Reserve Financial Service (FRFS) on possible payment delays on expected payments (*Federal Reserve Financial Service (FRFS) representative*)
2. Update from FICC as to handling of any delayed payments. (*FICC representatives*)
3. Update from clearing bank as to handling of any delayed payments. (*BoNYM representatives*)
4. Status of dealer processes (*Dealer representatives*)
5. Issues raised by firms prior to call (*as necessary: SIFMA staff*)

11:00 AM Expected day of payments (if necessary)

Goal/Agenda of call:

1. Update, if any, from Federal Reserve Financial Service (FRFS) (*Federal Reserve Financial Service (FRFS) representative*)
2. Update from FICC, if any, as to handling of any delayed payments. (*FICC representatives*)
3. Update from clearing bank as to handling of any delayed payments. (*BoNYM representatives*)
4. Dealer approach to delayed payment (*Dealer representatives*)
5. Issues raised by firms prior to call (*as necessary: SIFMA staff*)

Note: Timing of this call may be adjusted based on when Treasury provides notification that payment should be made.

2:00 PM Expected day of payments (if necessary)

Goal/Agenda of call:

1. Update, if any, from Federal Reserve Financial Service (FRFS) (*Federal Reserve Financial Service (FRFS) representative*)
2. Update from FICC, if any, as to handling of any delayed payments. (*FICC representatives*)
3. Update from clearing bank as to handling of any delayed payments. (*BoNYM representatives*)
4. Dealer approach to delayed payment (*Dealer representatives*)
5. Consideration of scheduling additional call for 4:15 p.m.
6. Issues raised by firms prior to call (*as necessary: SIFMA staff*)

Note: Timing of this call may be adjusted based on when Treasury provides notification that payment should be made.

Repeat call schedule as needed if unresolved for multiple days

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Appendix: Outline of Timeline of Payment Date -1 Late Day Activity

<i>Time (ET PM)</i>	<i>Activity</i>	<i>Comments</i>
6:30	If needed, Treasury can request more time to make a decision; Fedwire Securities will close at 7 p.m.; EOD may be delayed	
7:02-8:00	Fedwire end of day process runs, generating notifications on P&I payments to be made reflecting payment instructions per US Treasury instructions (US Treasury still has the option to defer these payment instructions on the next business day); Clearing Banks receive notification from Fedwire with info on CUSIPs maturing	Can be delayed
7:02-10:00	If Fedwire end of day process delayed at 6:30 p.m., can be run at any point upon receiving instructions from US Treasury	
8:00	Start of Asian trading day; FICC scheduled to close window for trade input and begin the end of day process	FICC activity can be delayed
9:00	Past 9:00 p.m. firms will find it difficult to make needed cancels and corrects without full staff	
10:00	Final opportunity for Treasury to instruct Fedwire Securities to operationally extend maturity dates	
10:30 -11:00	Final time for Fedwire to deliver notifications on P&I payments to be made, including time needed for any changes to maturity dates. (US Treasury still has the option to defer these payment instructions on the next business day)	
10:00-10:30	Deadline for FICC to close window for trade input and begin the end of day process; Clearing banks begin overnight jobs	

Appendix: Outline of Timeline of Payment Day Activity

<i>Time (ET)</i>	<i>Activity</i>	<i>Comments</i>
7:30 a.m.	Deadline for US Treasury to direct Fedwire not to make regular P&I payments at 8:05 a.m.	P&I payments cannot be delayed longer than COB that day
10:00 a.m.	FICC Daily Payment Cycle (1st of 2)	
4:00 p.m.	Deadline for US Treasury to make payments that day	Fedwire Funds open till 7 p.m.
4:30 p.m.	Securities cash window closes	
4:30 p.m.	FICC Daily Payment Cycle (2nd of 2)	Can be delayed, but length of delays is dependent on FRB's National Settlement Service (NSS)
Late afternoon	If expected cash is not delivered, firms would begin to experience issues with connected onward payments	
Evening	If failure to pay occurs, FICC would reverse previously made P&I payments	