

Board of Governors of the Federal Reserve System



Instructions for the Preparation of

Reporting Treasury Securities and Agency Debt and Mortgage-Backed Securities in TRACE

Reporting Form FR 2956

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Reporting Treasury Securities and Agency Debt and Mortgage-Backed Securities in TRACE

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A. Terms and Abbreviations

For purposes of this report, the following terms shall be defined as described below:

- (1) FINRA is the Financial Industry Regulatory Authority. FINRA operates under the supervision of the Securities and Exchange Commission (SEC).
- (2) TRACE stands for Trade Reporting and Compliance Engine operated by FINRA.
- (3) “Agency” means a U.S. “executive agency” as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security issued by another entity. The term includes a Government-Sponsored Enterprise and excludes the U.S. Department of the Treasury (“Treasury”) in the exercise of its authority to issue U.S. Treasury Securities as defined in Part 1.
- (4) “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency; or (ii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security covered in Part 1 and any securitized product collateralized by a mortgage, lease, or other financial asset that may be issued by an Agency.
- (5) “Agency Mortgage-Backed Security” (Agency MBS) means a type of security issued in conformity with a program of an Agency, for which the timely payment of principal and interest is guaranteed by the Agency, and collateralized by a pool (or pools) of mortgage loans. Agency MBS also includes SBA-Backed ABS and Collateralized Mortgage Obligations (CMO).
- (6) “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities. The term “U.S. Treasury Security” also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the U.S. Department of Treasury.
- (7) “Securitized Product” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable.
- (8) “Collateralized Debt Obligation” (“CDO”) means a type of Securitized Product backed by fixed-income assets (such as bonds, receivables on loans, or other debt) or derivatives of these fixed-income assets, structured in multiple classes or tranches with each class or tranche entitled to receive distributions of principal and/or interest in accordance with the requirements adopted for the specific class or tranche. A CDO includes, but is not limited to, a collateralized loan obligation and a collateralized bond obligation.
- (9) “Commercial Mortgage-Backed Securities” (“CMBS”) are MBS securities backed by one or

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more mortgage loans on commercial real estate, including loans on multifamily homes, hotels, malls, office buildings, hospitals, and other commercial properties.

- (10) “Collateralized Mortgage Obligations” (CMO) is a type of Securitized Product backed by Agency Pass-Through Mortgage-Backed Securities, mortgage loans, certificates backed by project loans or construction loans, other types of mortgage-backed securities or assets derivative of mortgage-backed securities, structured in multiple classes or tranches with each class or tranche entitled to receive distributions of principal and/or interest according to the requirements adopted for the specific class or tranche, and includes a real estate mortgage investment conduit.
- (11) An Agency Pass-Through Mortgage-Backed Security means a type of Securitized Product issued in conformity with a program of an Agency or a GSE, for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to “pass through” the principal and interest payments to the holders of the security on a pro rata basis.
- (12) “Good delivery” and “not for good delivery” have the same meaning as described in the Securities Industry and Financial Markets Association’s Uniform Practices Manual, available at <https://www.sifma.org/resources/general/tba-market-governance/>
- (13) “Government-Sponsored Enterprise” (GSE) has the same meaning as defined in 2 U.S.C. 622(8).
- (14) “SBA-Backed ABS” means a Securitized Product issued in conformity with a program of the Small Business Administration (“SBA”), for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans or debentures and structured to “pass through” the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis.
- (15) “TRACE system hours” means the hours the TRACE system is open, which are 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.
- (16) “To Be Announced” (TBA) refers to a transaction in an Agency Pass-Through Mortgage-Backed Security or an SBA-Backed ABS where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the Time of Execution.

B. Who Must File?

The following depository institutions are subject to reporting requirements of the FR 2956 on every government securities trading day:

- (1) Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Notice of Government Securities Broker or Government Securities Dealer Activities (Form G-FIN; OMB No. 7100-0224) with an average of dollar volumes of transactions in U.S. Treasury debt above \$100 million per day over the period from October 1 of the previous year through September 30 of the current year. Entities meeting this threshold would report Part 1 of the FR 2956.
- (2) Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Notice of Government Securities Broker or Government Securities Dealer Activities (Form G-FIN; OMB No. 7100-0224) with an average of dollar volumes of transactions in debt and MBS issued by agencies above \$50 million per day over the period from October 1 of the previous year through September 30 of the current year. Entities meeting this threshold would report Part 2 of the FR 2956.

Depository institutions who file Form G-FIN and are FINRA members acting as an executing broker and that therefore already are subject to TRACE reporting

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pursuant to FINRA rules are exempt from this reporting requirement.

C. When to File

Reporting transactions would be event-generated and estimated to occur daily. Depository institutions will be required to assess annually whether they meet the reporting criteria. If a depository institution meets the event-generated threshold to report based on the average of its daily transactions from October 1 of the previous year through September 30, the depository institution will be required to begin to report the implemented FR 2956 effective January 1 of the following year and continue reporting such transactions throughout that calendar year.¹ If a depository institution that reports on the implemented FR 2956 falls below the threshold based on the average of its daily transactions from October 1 of the previous year through September 30, the depository institution will be required to continue to report through December 31 of that year but would not be required to report for the next calendar year.

Part 1: U.S. Treasury Securities Transaction Reporting

The following reporting requirements apply to all marketable U.S. Treasury Securities, including Treasury bills, notes, floating rate notes, bonds, inflation-protected securities (“TIPS”), and Separate Trading of Registered Interest and Principal Securities (“STRIPS”). Transactions in U.S. Treasury securities that are not related to the original auction award from Treasury must be reported, including transactions executed before the auction and issuance of a security. Auction awards themselves should not be reported.

- (1) Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE system hours.
- (2) Transactions executed on a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later

1. For the initial reporting under FR 2956 beginning on September 1, 2022, depository institutions should assess their transactions from October 1, 2020 through September 30, 2021 to determine whether they will be required to report.

than the next business day (T+1) during TRACE system hours, and, if reported T+1, designated “as/of” and include the date of execution.

- (3) Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time—or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time)—must be reported the next business day (T+1) during TRACE system hours, designated “as/of”, and include the date of execution.

Part 2: Agency Debt Securities and Agency Mortgage-Backed Securities

The following requirements would apply to all transactions in Agency Debt Securities and Agency MBS.

(A)(1) Except as otherwise specifically provided in paragraph (A)(2) through paragraph (A)(3), below, transactions must be reported as provided in this paragraph (A)(1):

- (1) Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 15 minutes after the TRACE system opens.
- (2) Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution.
- (3) Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 15 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated “as/of” and include the date of execution.
- (4) Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using

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Eastern Time) must be reported the next business day (T + 1), no later than 15 minutes after the TRACE system opens, designated “as/of” and include the date of execution.

(A)(2) Except as provided in paragraphs B, C, and D, below, transactions in collateralized debt obligations (CDOs) and commercial mortgage-backed securities (CMBS) executed on:

- (1) a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours;
- (2) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated “as/of” and include the date of execution; or
- (3) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, or a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) during TRACE System Hours, designated “as/of” and include the date of execution.

B. Transactions in Securitized Products that are Collateralized Mortgage Obligations (CMOs) that are executed before the issuance of the security must be reported no later than the first settlement date of the security. If the transaction is reported other than on the date of execution, the transaction report must be designated “as/of” and include the date of execution.

C. Transactions in Securitized Products that are Agency Pass-Through Mortgage-Backed Securities traded “To Be Announced” (TBA) for good delivery (GD) (MBS TBA transactions GD) must be reported as provided in paragraph (A)(1)(i) through paragraph (A)(1)(iv).

D. Transactions in Securitized Products that are Agency Pass-Through Mortgage-Backed Securities traded TBA not for good delivery (NGD) (MBS TBA transactions NGD), Agency Pass-Through Mortgage-Backed Securities traded in Specified Pool Transac-

tions (MBS Specified Pool transactions), or Transactions in CMOs executed at or after issuance must be reported as provided in this paragraph:

- (1) Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 60 minutes after the TRACE system opens.
- (2) Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 60 minutes of the Time of Execution, except as provided in paragraph (A)(3)(iii) below.
- (3) Transactions executed on a business day less than 60 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 60 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated “as/of” and include the date of execution.
- (4) Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1), no later than 60 minutes after the TRACE system opens, designated “as/of” and include the date of execution.

(A)(3) Applies only to Agency Debt Securities

- (1) A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours and if reported on T + 1, designated “as/of” and include the date of execution.
- (2) A List or Fixed Offering Price Transactions or Takedown Transactions executed on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next busi-

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ness day (T + 1) at any time during TRACE System Hours, designated “as/of” and include the date of execution.

D. How and Where to file

Depository institutions subject to reporting under Parts 1 and 2 of the FR 2956 collection are required to report all the transaction details, information, and fields as described in the applicable TRACE technical documentation, FAQs, and guides (collectively, “TRACE documentation”) located at <https://www.finra.org/filing-reporting/trace>. This information would include, but is not limited to, the Committee on

Uniform Securities Identification Procedures (CUSIP) number or similar identifier, the transaction size (volume), price of the transaction, date of trade execution, time of execution, and date of settlement.

E. Disclosure of Information

The obligation to respond to the FR 2956 would be mandatory. The information collected through the FR 2956 would generally be considered confidential under exemption 4 of the Freedom of Information Act as confidential commercial or financial information that is both customarily and actually treated as private.