FED-ELIGIBLE SECURITIES FAIL INDICATOR AND AUTOMATED SECURITIES BORROW SERVICE

Anticipate and Action U.S. Government Securities Settlement Fails Before They Happen

As the largest and most liquid fixed income market in the world, the U.S. Treasury market plays a crucial role in the global economy. It serves as a safe-haven asset, providing price discovery, margin management, and benchmark for pricing derivatives.

About Our Service*

BNY Mellon's innovative settlement fails indicator service uses predictive analytics to forecast settlement failures by evaluating the likelihood of a dealer failing to deliver or receive a security from its counterparty. Information is provided on an intraday basis, affording you ample time to mitigate the failure. Our service forecasts daily settlement failures in 15-minute intervals between 11:00 AM - 2:30 PM EST using intraday metrics as well as other data signals to indicate liquidity issues in specific sets of bonds.

Now, Dealers can mitigate a potential failure. With a push of a button, you can borrow treasuries from our Agency Lending desk, which includes an automated loan processing and collateral workflow. Our flexible solution allows dealers to mitigate settlement fails while viewing the expected Treasury Market Practices Group (TMPG) cost avoidance.

Fully integrated securities borrowing solution with the goal of creating a streamlined end-to-end workflow.

Aggregated and prioritized view of anticipated U.S. government securities settlement fails

Integrated workflow streamlines securities availability, provides on-demand cost of borrow, loan booking, collateralization, and securities delivery

Model Inputs

The indicator considers elements such as the velocity of trading in each security across different time horizons, the volume of bonds circulating, a bond's scarcity, the number of trades settled every hour, and any operational issues, like higher-than-normal cancellation rates.

The resulting predictions can help you monitor your intraday positions more closely, manage down your liquidity buffers for more effective regulatory capital treatment, and offset the risks of failed settlements.

On top of limiting potential TMPG penalty charges, reducing fails could also help you better manage your funding sources, avoid scrambling for alternatives, keep securities moving efficiently through the global financial system and unlock liquidity in assets that are currently held up in a settlement chain.

Key Benefits

TMPG CHARGES

For each failed settlement instruction, the deliverer of the security is liable to pay a fails charge for each day the security is pending delivery.

CAPITAL SAVINGS

Fails can be an inefficient use of the balance sheet. More predictable end-of-day liquidity builds the ability to lower liquidity buffers over time, reducing capital requirements.

LIQUIDITY BENEFITS

Liquidity fluctuations increase cost of liquidity. Late-day funding shortfalls create events, increasing costs. Excess cash can be invested more opportunistically if forecasted earlier in the day.

*Important Contracting Guidelines

- Available to Fed Clearing contracted with BNY Mellon Institutional Bank (#111)
- Client entities located in the European Economic Area who wish to access the Fed Fails analytics are required to contract with BNY Mellon through their U.S.-based or London-based branch.
- An existing MSLA (Master Securities Lending Agreement) must be in place with BNY Mellon Agency Lending.

If you have any questions or would like to learn more about this service, please contact your BNY Mellon Relationship Manager.