company and its subsidiaries as the Board may require.” (12 U.S.C. 1467a(b)(2)). The obligation to respond is mandatory for exempt SLHCs. In some cases, lower-tier SLHCs may voluntarily file the FR 2320. In other cases lower-tier SLHCs may be required to file (in addition to the top-tier SLHC) for safety and soundness purposes at the discretion of the appropriate Federal Reserve Bank.

The Board also has determined that data items C572, C573, and C574 (line items 24, 25, and 26) may be protected from disclosure under exemption 4 of the Freedom of Information Act (FOIA). Commercial or financial information may be protected from disclosure under exemption 4 if disclosure of such information is likely to cause substantial competitive harm to the provider of the information. (5 U.S.C. 552(b)(4)). The data items listed above pertain to new or changed pledges, or capital stock of any subsidiary savings association that secures short-term or long-term debt or other borrowings of the SLHC; changes to any class of securities of the SLHC or any of its subsidiaries that would negatively impact investors; and defaults of the SLHC or any of its subsidiaries during the quarter. Disclosure of this type of information is likely to cause substantial competitive harm to the SLHC providing the information and thus this information may be protected from disclosure under FOIA exemption 4.

With regard to the remaining data items on the FR 2320, the Board has determined that institutions may request confidential treatment for any FR 2320 data item or for all FR 2320 data items, and that confidential treatment will be reviewed on a case-by-case basis.

Current actions: On August 23, 2017, the Federal Reserve published a notice in the Federal Register (82 FR 40000) requesting public comment for 60 days on the extension, without revision, of the Quarterly Savings and Loan Holding Company Report. The comment period for this notice expired on October 23, 2017. The Board did not receive any comments.


Ann E. Misback,
Secretary of the Board.

Federal Reserve System

[Docket Number OP–1573]

Production of Rates Based on Data for Repurchase Agreements

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is announcing the production and publication of three rates by the Federal Reserve Bank of New York (FRBNY), in coordination with the U.S. Office of Financial Research (OFR), based on data for overnight repurchase agreement transactions on Treasury securities.

DATES: FRBNY intends to begin publishing the three rates during the second quarter of 2018.

FOR FURTHER INFORMATION CONTACT: David Bowman, Associate Director, (202–452–2334), Division of International Finance; or Christopher W. Clubb, Special Counsel (202–452–3904), Evan Winerman, Counsel (202–872–7578), Legal Division; for users of Telecommunications Device for the Deaf (TDD) only, contact (202–263–4869).

SUPPLEMENTARY INFORMATION:

I. Background

On August 30, 2017, the Board published a notice and request for public comment (Request for Information) on the proposal that FRBNY, in coordination with OFR, produce and publish three rates based on overnight repurchase agreement (repo) transactions on U.S. Treasury securities (Treasury repo).1 The three rates (collectively, the “Treasury repo rates”) would be based on transaction-level data from various segments of the repo market.

A. Summary of Proposed Rates

Rate 1: Tri-Party General Collateral Rate (TGCR)

The Request for Information indicated that this rate would be a measure of rates on overnight, specific-counterparty tri-party Treasury general collateral (GC) repo. This rate would be calculated based on transaction-level tri-party repo data collected from the Bank of New York Mellon (BNYM) under the Board’s supervisory authority. The rate would exclude General Collateral Finance (GCF) Repo® cleared by the Fixed Income Clearing Corporation (FICC) and transactions in which a Federal Reserve Bank is a counterparty.2

Rate 2: Broad General Collateral Rate (BGCR)

The Request for Information indicated that this rate would provide a broad measure of rates on overnight Treasury GC repo transactions. The rate would be calculated based on the same transaction-level tri-party repo data collected from BNYM as in the TGCR plus GCF Repo data obtained from DTCC Solutions LLC (DTCC Solutions), an affiliate of the Depository Trust & Clearing Corporation (DTCC).

Rate 3: Secured Overnight Financing Rate (SOFR)

The Request for Information indicated that this rate would provide a broad measure of the general cost of financing Treasury securities overnight. The rate would be calculated based on the tri-party data from BNYM and GCF Repo data from DTCC Solutions used to calculate the BGCR, plus bilateral Treasury repo transactions cleared through FICC’s Delivery-versus-Payment (DVP) service, filtered to remove some (but not all) transactions considered “specials.” 3 This rate would not be a pure GC repo rate, but would offer the broadest measure of dealers’ cost of financing Treasury securities overnight.

B. Proposed Calculation of and Publication of the Rates

The Request for Information stated that FRBNY would use a volume-weighted median as the central tendency measure for each of the three Treasury repo rates described above. FRBNY would publish summary statistics to accompany the daily publication of the rate, which would consist of the 1st, 25th, 75th and 99th volume-weighted percentile rates, as well as volumes.

The Request for Information included a target publication time of 8:30 a.m. ET. The Request for Information stated that the rates would be revised only on a same-day basis, and only if the revision would result in a shift in the volume-weighted median by more than one

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1 82 FR 41259 (Aug. 30, 2017). The Request for Information included a detailed overview of the Treasury repo market.

2 A Federal Reserve Bank may enter into bilateral and tri-party Treasury repos in order to implement monetary policy. Because all three proposed rates were intended to reflect rates on trades between market participants, it was proposed that all would exclude Federal Reserve repos.

3 “Specials” are repos for specific-issue collateral, which can take place at much lower rates than GC trades because cash providers may be willing to accept a lesser return on their cash, or even at times accept a negative return, in order to secure a particular security. The Request for Information noted that FRBNY could filter out specials by simply excluding the lowest quartile of bilateral transaction volumes.
basis point. Such revisions would be
effected that same day at or around 2:30 p.m. ET and would result in a
republication of updated summary
statistics. If relevant data sources were
unavailable, the Request for Information
stated that the rates would be calculated
based upon back-up repo market survey
data collected from FRBNY’s primary
dealer counterparties. In such
circumstances, the Request for
Information indicated that FRBNY
might revise the summary statistics or
publish additional summary statistics
on a lagged basis.

For each rate, the Request for
Information stated that FRBNY would
exclude trades between affiliated
titles when relevant and when the
data to make such exclusions is
available. To the extent possible,
“open” trades for which pricing resets
daily (making such transactions
economically similar to overnight
transactions) would be included in the
calculation of the rates.

Finally, the Request for Information
stated that each of the rates could be
modified in the future in response to
market evolution or to incorporate
additional market segments if data
become available.

II. Public Comments

The Board received twelve comments
on the Request for Information from
financial institutions and industry
associations. Certain commenters
focused on possible uses of the
proposed rates, including the possibility
that the proposed rates (particularly
SOFR) could serve as reference rates for
financial contracts. Other commenters
focused on the calculation, publication,
and governance of the proposed rates.

A. Uses of the Proposed Rates

Commenters suggested that the
proposed rates would be useful because
they would provide a comprehensive
view of pricing in the Treasury repo
market, would provide a good proxy for
a risk-free rate, would provide useful
information regarding overnight
demand and supply for funding, and
could facilitate the creation of futures
contracts that would allow market
participants to hedge Treasury repos
and spot-market Treasury purchases.
Most commenters who expressed a view
on the potential uses of the proposed
rates suggested that SOFR would be
more useful than the other rates because
SOFR would provide a broader measure
of pricing in the Treasury repo market.
Other commenters raised concerns
regarding the possible use of SOFR as a
replacement for the London Interbank
Offered Rate (LIBOR) in financial
contracts. For example, a number of
commenters believed that U.S. dollar
LIBOR should be replaced with term
rates or rates that reflect bank credit
risk in ways that are similar to
U.S. dollar LIBOR. Some commenters
also noted difficulties in amending
existing contracts (e.g.,
syndicated loan and corporate bond
contracts) to replace U.S. dollar LIBOR.

Based on public comments, the Board
believes that market participants could
use the proposed Treasury repo rates in
a variety of ways. The Board recognizes
that the proposed rates could be used as
reference rates in financial contracts,
and that the Alternative Reference Rates
Committee (ARRC) has selected SOFR
as its recommended alternative to U.S.
Dollar LIBOR. The Board notes,
however, that the proposal to publish
these rates was not contingent upon the
ARRC’s selection of SOFR or the
possible use of SOFR (or either of the
other proposed rates) as a reference rate
in financial contracts. As noted in the
Request for Information, the publication
of the Treasury repo rates is intended to
improve transparency into the repo
market by increasing the amount and
quality of information available about
the market for overnight Treasury repo
activity. This information could be
useful to market participants in a variety
of ways. To the extent that market
participants choose to use SOFR or
another of the Treasury repo rates as a
reference rate, details regarding the
transition from U.S. Dollar LIBOR to
that rate in particular markets are
outside the scope of the Request for
Information and this final Federal
Register notice.

B. Calculation, Publication, and
Governance of the Proposed Rates

The Board received a number of
comments on the calculation,
publishation, and governance of
the proposed rates. Commenters discussed
the types of data that FRBNY will
include in the rates, FRBNY’s
calculation methodology, and various
issues related to publication and
governance of the rates.

1. Data Sources

Three commenters suggested that the
Federal Reserve and OFR should
consider including additional Treasury
repo activity in the proposed rates (e.g.,
uncleared bilateral repos, FICC’s
Sponsored DVP Repo Service, and
FICC’s new CCIT™ Service) and should
adopt a clear mechanism for including
additional Treasury repo activity in the
future. As noted in the Request for
Information, each of the Treasury repo
rates could be modified in the future in
response to market evolution or to
incorporate additional market segments
if data become available. The Federal
Reserve and OFR will monitor trading
activity in new market segments and
will consult with the public in deciding
whether to include new data sources in
the Treasury repo rates or make other
compositional or methodological
changes to the rates. The Board also
notes that (1) FRBNY cannot currently
include data regarding uncleared
bilateral repos in the Treasury repo rates
because there is no available data source
for such information and (2) SOFR will
include data from FICC’s Sponsored
DVP Repo Service.

A commenter asked the Board to
provide more information regarding
FRBNY’s contract to acquire data from
DTCC Solutions, stating that additional
information would help market
participants evaluate potential risks
related to loss of access to data. The
Federal Reserve and OFR are confident
that the combination of the relevant
provisions of the contract with DTCC
Solutions and the data collection
authorities of the OFR and Federal
Reserve will ensure that they will be
able to continue to produce robust rates
under a variety of circumstances. In this
regard, the Board notes that OFR
informed the Financial Stability
Oversight Council on November 16,
2017, that it intends to propose an
information collection in the first half of
2018 to collect data regarding cleared
repo transactions.5

Finally, a commenter suggested that
the Board should use its supervisory
authority to ensure that BNYM conducts
its tri-party operations properly,
including appropriate business
continuity and other risk contingency
planning. BNYM is a State member
bank and is subject to comprehensive
supervision by the Federal Reserve.6 In
particular, the Federal Reserve
supervises BYNM’s tri-party
operations.7

2. Calculation Methodology

Two commenters supported the
proposal to calculate the Treasury repo
rates.8
rates using a volume-weighted median approach. One commenter suggested, however, that a volume-weighted average might be more appropriate because SOFR could have a bimodal distribution, with one peak representing relatively low tri-party rates and a second peak reflecting higher rates for GCF repos and repos cleared through FICC’s DVP service. This commenter believed that, if SOFR has a bimodal distribution, small changes in the relative volumes of the two peaks could result in significant shifts in the median rate. FRBNY will use a volume-weighted median approach because, compared to a volume-weighted mean approach, it is more robust to erroneous data and outliers and more frequently reflects a transacted rate. Although the aggregation of heterogeneous market segments increases the risk of a multimodal distribution, FRBNY’s historical analysis indicates that use of a volume-weighted median did not materially increase the volatility of the rate and that small shifts in the data did not cause significant shifts in the median rate. The Federal Reserve and OFR will review the composition and methodology of the rates over time and, as noted above, will consult with the public in deciding whether to make any compositional or methodological changes.

Multiple commenters asked the Board to clarify how FRBNY will trim specials from the proposed rates. One commenter supported exclusion of all bilateral transactions below the 25th volume-weighted percentile rate, while two commenters stated that they would need more data to evaluate whether this approach is sensible. Another commenter suggested other possible techniques for excluding outlier transactions. Federal Reserve and OFR staff considered several techniques for trimming specials activity, including removing all transactions collateralized by on-the-run and first-off-the-run securities. The Board confirms that FRBNY will trim specials by excluding from the FICC-cleared bilateral data all transactions with rates below the 25th volume-weighted percentile. Analysis of various volume-weighted percentile thresholds revealed that excluding all activity trading below the 25th percentile rate struck an appropriate balance between removing the largest number of special transactions and maintaining robust volume to use in calculating a rate. This approach effectively removes transactions with rates that are notably lower than other transactions in the FICC-cleared bilateral data set, which indicates that the removed transactions are specials.

A commenter requested more information about how FRBNY will include “open” trades in the proposed rates. Open transactions are transactions with no specific maturity date for which the interest rate is periodically reset upon agreement by both borrower and lender. Although there are many forms of open transactions with different reset periods, those with daily rate resets are economically very similar to overnight transactions. On January 24, 2017, the Treasury Market Practices Group recommended a new best practice in the recording of daily-resetting open trades, which is expected to make daily-resetting trades easier to differentiate from open trades with different reset periods.

Two commenters noted that SOFR trends to spike at quarter-ends and suggested that FRBNY apply a “smoothing” mechanism to minimize volatility of the proposed rates. The Board recognizes that rates in some segments of the Treasury repo market currently tend to increase at quarter-ends, but FRBNY will not apply a smoothing mechanism to the Treasury repo rates because doing so would provide an inaccurate view of that day’s pricing in the Treasury repo market. Finally, one commenter suggested that, even though the proposed rates would exclude transactions in which a Federal Reserve Bank is a counterparty, Federal Reserve activity in repo markets might distort rates in Treasury repos that do not involve a Federal Reserve Bank. The Federal Reserve implements monetary policy through multiple types of financial transactions, including repos. These open market operations affect all money market rates. The Board nevertheless believes that the Treasury repo rates will provide market participants with a transparent and comprehensive view of pricing in the Treasury repo market.

3. Publication Issues

One commenter stated that the proposed 8:30 a.m. ET publication time was appropriate. Another commenter asked the Federal Reserve to consider carefully whether publishing the rates at 8:30 a.m. would impact efficient market functioning. Three commenters believed that the proposed rates should be published earlier, explaining that 8:30 a.m. publication would be too late for some foreign financial markets and on certain days would coincide with some U.S. economic data releases. FRBNY will shift the publication time at least as early as 8:00 a.m. ET to avoid coincident release with key U.S. economic data. The Board and FRBNY will consider whether FRBNY can publish Treasury repo rates even earlier, but operational constraints—for example, constraints on the ability of FRBNY’s data providers to produce and deliver data overnight and the time required for FRBNY to perform data validation and quality assurance processes—may prevent earlier publication.

A commenter asked for an explanation of how FRBNY would publish the proposed rates. FRBNY will publish the Treasury repo rates on its public website, similar to the manner in which FRBNY currently publishes the effective federal funds rate (EFFF) and the overnight bank funding rate (OBFR).

Four commenters supported the proposal to publish summary statistics. One of these commenters suggested, however, that publishing statistics from the 1st and 99th percentiles would not be informative, and that FRBNY should instead publish summary statistics for percentiles between the 1st and 25th/75th and 99th percentiles (e.g., the 5th and 95th percentiles). Initially, FRBNY will publish summary statistics as described in the Request for Information, and may publish additional percentiles on a lagged basis. After FRBNY begins publishing the Treasury repo rates, FRBNY will reassess whether market participants would benefit from additional summary statistics.

Three commenters requested that FRBNY publish historical data for SOFR. Commenters believed that historical data would serve a number of purposes—for example, commenters suggested that historical data would help market participants determine
margin requirements for derivatives that reference SOFR and would help market participants compare SOFR to existing benchmarks. The Board recognizes that market participants might benefit from historical data. While longer histories of comparable commercially produced repo rates are publicly available, the Board believes that a significantly longer history of the Treasury repo rates may not be possible due to limitations on the availability of data. The Board and FRBNY will work with BNYM and DTCC to determine whether FRBNY can publish additional historical data for the Treasury repo rates.

Two commenters suggested that the proposed threshold of “greater than one basis point” for revising the proposed rates was too sensitive. Another commenter explained that its members had not achieved consensus on the threshold at which FRBNY should revise errors, but the commenter emphasized that FRBNY should articulate a clear rationale for its revision policy. The Board notes that, because FRBNY will round the Treasury repo rates to the nearest whole basis point, the threshold is effectively two basis points. The Board also notes that this is the same threshold employed for EFFR and OBFR, for which revisions are very rare. The Federal Reserve will periodically review the revision threshold to ensure that revisions are very rare and do not impose undue operational costs on users of the Treasury repo rates.

A commenter asked whether FRBNY would publish the proposed rates if relevant data sources were unavailable and, if so, whether FRBNY would correct such rates retroactively when data becomes available. Another commenter suggested that FRBNY should provide more information regarding the back-up repo market survey. FRBNY currently collects repo data from primary dealers each morning. Going forward, FRBNY will also collect data each afternoon. The afternoon survey will capture that day’s activity by primary dealers and will be available as a contingency data source for the following morning’s publication of the Treasury repo rates. The survey will request aggregated primary dealer activity in each of the market segments captured in the Treasury repo rates: Overnight tri-party Treasury repo transactions, overnight Treasury repo transactions in the GCF market, and FICC-cleared bilateral Treasury repo transactions. For each of these market segments, each dealer will report its aggregate borrowing activity (excluding, to the extent possible, transactions between affiliated entities and transactions in which the Federal Reserve is a counterparty), along with the weighted-average rate of its borrowing. If FRBNY publishes Treasury repo rates that use survey data and subsequently receives updated data, FRBNY would issue same-day revisions at or around 2:30 p.m. ET if the use of updated data would result in the published rate changing by more than one basis point.

Finally, two commenters asked that FRBNY begin publishing the Treasury repo rates as soon as possible. FRBNY intends to begin publishing the Treasury repo rates in the second quarter of 2018.

4. Governance

A commenter suggested that governance arrangements for the Treasury repo rates should align with the Principles for Financial Benchmarks published by the International Organization of Securities Commissions (IOSCO) in July 2013. FRBNY plans to publish an IOSCO statement of compliance covering the Treasury repo rates in the first half of 2018.

III. Conclusion

After considering public comments, the Board concludes that the public would benefit if FRBNY publishes the three Treasury repo rates as proposed, with certain modifications described above.

IV. Administrative Law

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR part 1320, Appendix A.1), the Board reviewed the Request for Information and this final notice under the authority delegated to the Board by the Office of Management and Budget. For purposes of calculating burden under the Paperwork Reduction Act, a “collection of information” involves 10 or more respondents. As noted above, the data to be used to produce the rates will be obtained solely from (1) BNYM with respect to tri-party GC repo data and (2) DTCC Solutions with respect to GCF repo data and DVP bilateral repo data. Therefore, producing the rates will not involve a collection of information pursuant to the Paperwork Reduction Act.

The Regulatory Flexibility Act (5 U.S.C. 601 et seq.) (RFA) generally requires an agency to perform an initial and a final regulatory flexibility analysis on the impact a rule is expected to have on small entities. The RFA imposes these requirements in situations where an agency is required by law to publish a general notice of proposed rulemaking for any proposed rule. The production of the rates does not create any obligations or rights for any private parties, including any small entities, and so the Board was not required to publish a notice of proposed rulemaking. Accordingly, the RFA does not apply and an initial and final regulatory flexibility analysis is not required.

The Board did not receive any comments regarding the Paperwork Reduction Act or the RFA.


Ann E. Misback,
Secretary of the Board.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS–6063–N3]

Medicare Program; Extension of Prior Authorization for Repetitive Scheduled Non-Emergent Ambulance Transports

AGENCY: Centers for Medicare & Medicaid Services (CMS), HHS.

ACTION: Notice.

SUMMARY: This notice announces a 1-year extension of the Medicare Prior Authorization Model for Repetitive Scheduled Non-Emergent Ambulance Transport. The extension of this model is applicable to the following states and the District of Columbia: Delaware, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Virginia, and West Virginia.

DATES: This extension began on December 5, 2017 and ends on December 1, 2018. However, prior authorization is available upon provider, supplier, or beneficiary request for dates of service between December 2, 2017 and December 4, 2017.

FOR FURTHER INFORMATION CONTACT: Angela Gaston, (410) 786–7409.

Questions regarding the Medicare Prior Authorization Model Extension for Repetitive Scheduled Non-Emergent