

Office of Debt Management



Regular Treasury Buyback Program Details

April 2024

Executive Summary

- ▶ Treasury's buyback program focuses on two debt management objectives:
 - ▶ **Liquidity Support:** Establish a predictable opportunity for market participants to sell off-the-run securities.
 - ▶ **Cash Management:** Reduce volatility in Treasury's cash balance and bill issuance, minimize bill supply disruptions, and/or reduce borrowing costs over time.
- ▶ As noted at the [last refunding](#), Treasury plans to announce the date of the first regular buyback operation on May 1st.
 - ▶ The [latest tentative buyback schedule](#) will be available on the quarterly refunding webpage.
- ▶ Initially, Treasury will seek offers for at most **20 CUSIPs** in each operation due to temporary settlement process limitations.
- ▶ Liquidity Support buybacks will generally take place once per week on Wednesday afternoons as multiple price reverse auctions available to primary dealers through the Federal Reserve Bank of New York's FedTrade application.
 - ▶ Initially, Treasury will only conduct buybacks with primary dealers. Other market participants are welcome to access buybacks through a primary dealer. Treasury anticipates considering whether to allow other counterparties to directly participate in the future.
 - ▶ In contrast to bidding in Treasury auctions, pro-rata participation in Treasury buybacks is not part of the expectations for primary dealers.
- ▶ Treasury plans to announce a tentative schedule of buybacks for the subsequent quarter at each quarterly refunding.
 - ▶ Treasury will provide an update on the temporary 20 CUSIP limit at the August 2024 refunding.

Buyback Buckets

- ▶ Treasury will conduct buybacks across nine maturity buckets.
 - ▶ Seven for nominal coupon securities and two for TIPS.
- ▶ Treasury will buy back securities from only one buyback bucket at a time.
- ▶ Two buyback buckets differ slightly from previous communications.
 - ▶ The 0-to-2-year nominal coupons bucket is now the 1-month to 2-year bucket.
 - ▶ The 0-to-7.5-year TIPS bucket is now the 1-year to 7.5-year bucket.

Treasury Buyback Buckets

Product	Objective	Maturity Sector
Nominal Coupons	Cash Management & Liquidity Support	1Mo to 2Y
Nominal Coupons	Liquidity Support	2Y to 3Y
Nominal Coupons	Liquidity Support	3Y to 5Y
Nominal Coupons	Liquidity Support	5Y to 7Y
Nominal Coupons	Liquidity Support	7Y to 10Y
Nominal Coupons	Liquidity Support	10Y to 20Y
Nominal Coupons	Liquidity Support	20Y to 30Y
TIPS	Liquidity Support	1Y to 7.5Y
TIPS	Liquidity Support	7.5Y to 30Y

Buyback Calendar

- ▶ At each Quarterly Refunding, Treasury will publish a tentative calendar of both Liquidity Support and Cash Management buybacks for the upcoming quarter on the TreasuryDirect [Buyback Announcements & Results](#) page and the [Quarterly Refunding webpage](#).
- ▶ In general, Treasury's buyback schedule attempts to cover all buyback buckets at least once per quarter while avoiding holidays or other events such as major economic data releases and FOMC announcements.
- ▶ The tentative buyback calendar will include the same fields as the small-value buyback calendar that Treasury released in March 2024.
 - ▶ See below for a sample calendar that is based on the small-value buybacks that Treasury conducted in April 2024.
- ▶ Treasury may conduct buybacks that do not appear on the tentative calendar and may revise the tentative calendar after publication.

Sample Buyback Calendar

Announcement Date	Operation Date and Time (ET)	Settlement Date	Operation Type	Security Type & Maturity Range	Maturity Date Range	Minimum Purchase Amount	Maximum Purchase Amount	Maximum Number of Eligible Securities
4/2/24	4/3/24 1:40 to 2:00 pm	4/4/24	Liquidity Support	Nominal Coupons 20Y to 30Y	4/4/44 - 4/3/54	\$0	\$200 million	20
4/9/24	4/10/24 1:40 to 2:00 pm	4/11/24	Cash Management	Nominal Coupons 1Mo to 2Y	5/11/24 - 4/10/26	\$0	\$200 million	20
4/16/24	4/17/24 1:40 to 2:00 pm	4/18/24	Liquidity Support	TIPS 7.5Y to 30Y	10/18/31 - 4/17/54	\$0	\$200 million	20

Buyback Purchase Limit Calculation

- ▶ Treasury uses two criteria to determine the purchase limit for a given security:
 - ▶ **Free Float in Dollars:** The amount outstanding less the sum of SOMA holdings and the stripped amount will remain above **\$10 billion** for nominal coupon securities and above **\$5 billion** for TIPS after the buyback operation settles, see **Formula E** below.
 - ▶ **SOMA Holding Percent:** SOMA holdings will not exceed 70% of a securities' outstanding par amount after the buyback is settled. Because buybacks reduce the overall par outstanding, see **Formula F** below.
- ▶ Treasury buys back securities in \$1 million lots, see **Formula H** for details.
- ▶ Securities with a purchase limit less than \$10 million are excluded from Treasury buyback operations.

Purchase Limit Calculation Examples

	Formula	912810FH6	912810QA9	912810QX9	9128282A7
Date		4/22/24	4/22/24	4/22/24	4/22/24
Par Outstanding (\$MM)	A	\$19,497	\$25,909	\$41,995	\$65,349
SOMA Holdings (\$MM)	B	\$9,598	\$18,072	\$26,598	\$10,765
Stripped Amount (\$MM) <i>as of 3/31/24</i>	C	\$6	\$101	\$1,079	\$10
Free Float Floor (\$MM)	D	\$5,000 (TIPS)	\$10,000 (Nominals)	\$10,000 (Nominals)	\$10,000 (Nominals)
Free Float Dollar Limit (\$MM)	$E = \text{MAX}\{A - (B + C + D), 0\}$	\$4,893	\$0	\$4,318	\$44,574
SOMA Percent Limit (\$MM)	$F = A - (10/7) * B$ so that $B / (A - F) = 70\%$	\$5,786	\$92	\$3,997.85	\$49,970.43
Lesser of Two Limits (\$MM)	$G = \text{MIN}\{E, F\}$	\$4,893	\$0	\$3,997.85	\$44,574
Lot Size (\$MM)	$H = \text{FLOOR}\{G, \$1 \text{ MM}\}$	\$4,893	\$0	\$3,997	\$44,574
Final Purchase Limit (\$MM)	$I = \text{IF } H \geq \$10 \text{ MM THEN } H \text{ ELSE } \0	\$4,893	\$0	\$3,997	\$44,574

Buyback Security Exclusions

- ▶ In general, securities in a buyback bucket not excluded by one of the rules below are eligible for purchase in a buyback operation.
- ▶ Treasury may update its exclusion criteria from time to time.

Operation Type	Exclusion Name	Description of Exclusion Rule
Liquidity Support & Cash Management	On-the-Runs and Near On-the-Runs	Recently issued securities that are not past their first coupon payment date.
	Securities Close to Coupon Payment Date	Securities that have coupon payment dates that fall within two business days prior to, or on, a buyback operation settlement date.
	CTD and Near CTD Securities	Treasury securities that are reasonably likely to be the cheapest-to-deliver for a futures contract.
	Repo Specials	Treasury securities that are trading significantly special in repurchase agreement markets or are otherwise in exceptional demand compared with similar issues.
	Purchase Limits	Securities with a purchase limit less than \$10 million according to the previous slide are excluded.
	Exceptional Situations	Treasury may decline to buy back securities that are in high demand.
Cash Management	Rich to Treasury Bills	Coupon securities that are trading at a significantly lower yield than Treasury bills with similar maturities.
	Maturing Near Tax Payment Dates	Coupon securities that mature around quarterly tax payment dates or the April tax season.



Buyback Announcements and Results

- ▶ Both buyback announcements and results may be found on the [Buyback Announcements & Results](#) TreasuryDirect page.
- ▶ In general, one day prior to a scheduled buyback operation, Treasury will publish a [Preliminary Announcement](#) at 11:00 AM.
 - ▶ Contains a list of securities that will likely be included in the buyback operation along with the tentative size and timing of the operation. Also includes delivery instructions and other relevant details.
- ▶ Typically, on the day of a buyback operation, Treasury will publish a [Final Announcement](#) at 11:00 AM.
 - ▶ Treasury expects to update the preliminary list of eligible CUSIPs only if changes in market conditions trigger an exclusion rule listed on Slide 6.
 - ▶ Data fields are identical to the Preliminary Announcement.
 - ▶ The list of eligible CUSIPs will not change after the Final Announcement is published.
- ▶ After the buyback operation concludes, Treasury will publish [operation results](#) that show both the total amount that Treasury has bought back and weighted average accepted prices at a CUSIP level.

Additional Program Details

- ▶ The objectives of Cash Management and Liquidity Support buybacks have not changed since Treasury's last updates at the [August](#) and [May](#) 2023 refundings.
 - ▶ Buybacks are not intended to change the overall maturity profile of the debt outstanding.
 - ▶ Treasury does not intend to use buybacks to respond to episodes of acute market stress.
 - ▶ Amounts spent to buy back securities will be treated like any other source of borrowing needs for debt management purposes. Treasury will not attempt to directly align additional issuance with securities bought back at a specific tenor.
- ▶ Treasury aims to be a price-sensitive buyer. Actual buyback amounts are determined during an operation and depend on the evaluation of offers.
 - ▶ Treasury may buy back less than the announced maximum amount.
- ▶ Treasury buybacks are structured as a *redemption* that reduces a CUSIP's par amount outstanding by exactly the amount that is bought back.
 - ▶ Treasury securities that are purchased through buyback operations are retired upon settlement.
- ▶ The 20 CUSIP maximum for buybacks is currently in place because of operational limitations related to buyback settlement reporting. Treasury aims to remove restrictions on CUSIP count as soon as these operational limitations are addressed. Treasury will provide an update at the August 2024 refunding.
- ▶ Treasury may revisit certain aspects of its buyback program from time to time and will provide updates at subsequent refundings.

Buyback Resources

- ▶ Buyback announcements, results, regulations, and lists of eligible CUSIPs are available at <https://treasurydirect.gov/auctions/announcements-data-results/buy-backs/>
- ▶ For additional details and frequently asked questions please refer to Treasury's buyback FAQs at <https://treasurydirect.gov/help-center/faqs/buyback-faqs/>
- ▶ Primary dealers may call the Federal Reserve Bank of New York Trading Desk with submission and verification questions. For system-related problems, dealers may call the Federal Reserve Bank of New York Primary Dealer Support.
- ▶ For questions related to buyback announcements and disclosure, please contact Treasury's Bureau of the Fiscal Service at buybacks@fiscal.treasury.gov
- ▶ Direct all other questions related to buybacks to Treasury's Office of Debt Management at dl_odm_buybacks@treasury.gov (note the leading underscore).