



DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 375

[Docket No. FISCAL-2025-0001]

Marketable Treasury Securities Redemption Operations

AGENCY: Bureau of the Fiscal Service, Department of the Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Department of the Treasury (Treasury) proposes to amend the terms and conditions for marketable Treasury securities redemption (buyback) operations. These proposed amendments reflect expanded direct offer submission eligibility, update the certification statements to participate in buyback operations, enhance clarity, and make conforming changes to several sections of the buyback regulations to reflect Treasury's current practices.

DATES: Written comments should be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: All comments must include the agency name (Bureau of the Fiscal Service) and docket number (FISCAL-2025-0001) for this rulemaking. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. In general, comments will be published on regulations.gov without change, including any business or personal information provided. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure. Due to mail processing delays, Fiscal Service strongly encourages the electronic submission of comments. Comments may be submitted as follows:

Electronic Submission: Fiscal Service strongly encourages all comments to be submitted through the Federal eRulemaking Portal, which provides the ability to comment on, search, and view rulemaking materials, including comments received on rules. Please go to

<https://www.regulations.gov> and follow the online instructions at that site for submitting comments.

Paper Submission: Paper comments that duplicate an electronic submission are not necessary and are discouraged. If you wish to mail a paper comment in lieu of an electronic comment, it should be sent to: Government Securities Regulations Staff, Room #7N103, Bureau of the Fiscal Service 3201 Pennsy Drive Building E, Landover, MD 20785-1603.

FOR FURTHER INFORMATION CONTACT: Fred Pietrangeli, Director, Office of Debt Management, at debt.management@treasury.gov for policy questions, or Lori Santamorena, Government Securities Regulations Staff, at govsecreg@fiscal.treasury.gov 202-504-3632, for technical questions.

SUPPLEMENTARY INFORMATION:

Background

Section 3111 of Title 31 of the United States Code authorizes the Secretary of the Treasury to issue obligations under Chapter 31 of Title 31 to “buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the United States government” and, under regulations of the Secretary of the Treasury, to use money received from the sale of an obligation and other money in the general fund of the Treasury in making such purchases, redemptions, or refunds. In January 2000, Treasury issued regulations regarding Treasury buyback operations.¹ Buyback operation announcements also specify terms and conditions for buyback operations. If anything in a buyback operation announcement differs from the buyback regulations, the terms of the announcement control.

Treasury is proposing to update the buyback regulations for several reasons.

First, certain typical buyback operation announcement terms differ from, and supersede, the buyback regulations. Treasury is proposing amendments that would reflect those typical

¹ 65 FR 3116 (Jan. 19, 2000); see 31 CFR Part 375.

buyback operation announcement terms, to promote consistency between the buyback regulations and buyback operation announcements and thereby mitigate potential confusion.

Second, the proposed amendments would update the regulations to expand the scope of entities eligible to submit offers directly to Treasury in buyback operations.² On July 30, 2025, Treasury announced plans to expand direct offer submission eligibility to buyback operations to a limited number of additional counterparties based on their participation in Treasury auctions, to foster greater competition in the buyback process and broaden access to liquidity support.³ On September 19, 2025, Treasury published eligibility criteria for expanded direct offer submission eligibility.⁴

Third, the current buyback regulations do not expressly address the extent to which buyback participants are permitted to use buyback operation information from the Federal Reserve Bank of New York's FedTrade system as the basis for a transaction. Treasury expects buyback participants to maintain the highest standards in their market practices and comply with all applicable laws and regulations. Treasury is proposing to permit buyback participants to use buyback operation information solely found in FedTrade as a basis for a transaction only in the case of a hedging transaction. A hedging transaction should reduce or mitigate a specific, identifiable risk related to the buyback operation. This proposal aims to prevent potential misuse of information found in FedTrade while preserving the ability of buyback participants to appropriately hedge risk.

Discussion

² Expanded direct offer submitters would access buyback operations via the Federal Reserve Bank of New York's trading system (FedTrade).

³ Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith (July 2025). Available at <https://home.treasury.gov/news/press-releases/sb0212>.

⁴ See "FAQs about Treasury Securities Buybacks," available at <https://treasurydirect.gov/help-center/faqs/buyback-faqs>. See also "Remarks by PDO Assistant Secretary McMaster Before the 2025 Annual Primary Dealer Meeting at the Federal Reserve Bank of New York" (Sept. 2025), available at <https://home.treasury.gov/news/press-releases/sb0267>.

For the reasons described above, Treasury is proposing the following amendments to the buyback regulations:

1. Modify 31 CFR 375.0 to more closely reflect the statutory language in 31 U.S.C. 3111.
2. Modify 31 CFR 375.2 to change the defined term “Redemption amount” to “Maximum redemption amount” for additional clarity and add a new defined term, “FedTrade”.
3. Remove references to the term “privately held amount” from 31 CFR 375.2 and 375.21, because Treasury does not include the privately held amount in buyback operation results.
4. Modify 31 CFR 375.11(a) to reflect the expanded direct buyback offer submission eligibility, as described above.
5. Modify 31 CFR 375.13(b) to remove the discussion of the format that submitters must use to specify offered prices.
6. Modify 31 CFR 375.13(c) to reflect, in accordance with typical practice, that a buyback operation announcement may specify a maximum number of offers per submitter per security.
7. Modify 31 CFR 375.14 to update the certification statements related to submitters’ permissible uses of information from FedTrade.
8. Modify 31 CFR 375.21 to more accurately reflect the information that is typically contained in buyback operation results and to reflect that Treasury announces buyback operation results through its website, not necessarily through the issuance of press releases.
9. Modify 31 CFR 375.22(a) to state Treasury does not provide confirmation of rejections of offers, in accordance with typical Treasury practice.
10. Add a new 31 CFR 375.24 to inform the public that offers at the highest accepted price for a particular security may be accepted on a prorated basis.
11. Amend 31 CFR 375.31 to clarify that the enumerated actions that Treasury may take if someone does not fully comply with the buyback operation rules or fails to deliver securities are not exclusive or mutually exclusive.

The proposed amendments also include certain nonsubstantive, ministerial, or conforming changes to the buyback regulations.

Treasury invites comments on all aspects of this proposal, including but not limited to (1) the proposed changes that would clarify the existing regulations or conform the regulations more closely to statutory language, (2) the scope of the proposed expansion of eligible submitters in buyback operations, (3) the proposed certification requirement, including whether the certification related to using information from FedTrade (or a successor platform) should instead permit types of transactions different than those described in proposed 31 CFR 375.14, and (4) the proposed description of actions Treasury may take if someone does not fully comply with the redemption operation rules or fails to deliver securities, including whether such remedies should be narrower or broader.

Procedural Requirements

Executive Order 12866. This proposed rule is not anticipated to be a significant regulatory action pursuant to Executive Order 12866 as amended.

Executive Order 14192. This proposed rule is anticipated to be an E.O. 14192 deregulatory action.

Administrative Procedure Act (APA). The APA generally imposes requirements on agency rulemakings related to notice, public comment, and delayed effective dates, under 5 U.S.C. 553. However, 5 U.S.C. 553(a)(2) exempts matters relating to contracts from those requirements. The buyback regulations relate to Treasury securities, which are contracts between Treasury and the owner of the security. Therefore, although we are issuing this rule in proposed form to benefit from public comment, the notice, public comment, and delayed effective date requirements of the APA do not apply to this proposal.

Regulatory Flexibility Act. The provisions of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, do not apply to this proposed rule because, pursuant to 5 U.S.C. 553(a)(2), it is not required to be issued with notice and opportunity for public comment.

Paperwork Reduction Act. This proposed rule does not involve a collection of information.

Therefore, the Paperwork Reduction Act, 44 U.S.C. 3501 *et seq.*, does not apply.

Congressional Review Act (CRA). This proposed rule is not anticipated to be a major rule under the CRA, 5 U.S.C. 801 *et seq.*

List of Subjects in 31 CFR Part 375

Bonds, Federal Reserve System, Government securities

Text of Amendments

For the reasons set forth in the preamble, we propose to revise and republish 31 CFR Part 375 to read as follows:

PART 375—MARKETABLE TREASURY SECURITIES REDEMPTION OPERATIONS

Subpart A—General Information

375.0 What authority does the Treasury Department have to redeem its securities?

375.1 Where are the rules for the redemption operation located?

375.2 What special definitions apply to this rule?

375.3 What is the role of the Federal Reserve Bank of New York in this process?

Subpart B—Offering, Certifications, and Delivery

375.10 What is the purpose of the redemption operation announcement?

375.11 Who may participate in a redemption operation?

375.12 How do I submit an offer?

375.13 What requirements apply to offers?

375.14 Do I have to make any certifications?

375.15 Who is responsible for delivering securities?

Subpart C—Determination of Redemption Operation Results; Settlement

375.20 When will the Treasury Department decide which offers to accept?

375.21 How will the Treasury Department announce the redemption operation results?

375.22 Will I receive confirmations and, if I am submitting offers for others, do I have to provide confirmations?

375.23 How does the securities delivery process work?

375.24 Does the Treasury Department prorate offers at the highest accepted price for a particular security?

Subpart D—Miscellaneous Provisions

375.30 Does the Treasury Department have any discretion in this process?

375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?

Authority: 5 U.S.C. 301; 31 U.S.C. 321; 31 U.S.C. 3111; 12 U.S.C. 391.

PART 375—MARKETABLE TREASURY SECURITIES REDEMPTION OPERATIONS

Subpart A—General Information

§ 375.0 What authority does the Treasury Department have to redeem its securities?

Section 3111 of Title 31 of the United States Code authorizes the Secretary of the Treasury to issue obligations under Chapter 31 of Title 31 to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the U.S. government and, under regulations of the Secretary of the Treasury, to use money received from the sale of an obligation and other money in the general fund of the Treasury Department in making such purchases, redemptions, or refunds.

§ 375.1 Where are the rules for the redemption operation located?

The provisions in this part and the redemption operation announcement govern the redemption of marketable Treasury securities under 31 U.S.C. 3111. (See § 375.10.)

§ 375.2 What special definitions apply to this rule?

The definitions in 31 CFR part 356 govern this part except as follows:

Accrued interest means an amount payable by the Treasury Department as part of the settlement amount for the interest income earned between the last interest payment date up to and including the settlement date.

Bank means the Federal Reserve Bank of New York.

Customer means a person or entity on whose behalf a submitter has been directed to submit an offer of a specified amount of securities in a specific redemption operation.

FedTrade means the Federal Reserve Bank of New York's proprietary electronic trading platform used to conduct redemption operations.

Maximum redemption amount means the maximum par amount of securities that we are planning to redeem through a redemption operation. We will state the maximum redemption amount in the redemption operation announcement.

Minimum offer amount means the smallest par amount of a security that may be offered to the Treasury Department. We will state the minimum offer amount in the redemption operation announcement.

Multiple means the smallest additional par amount of a security that may be offered to the Treasury Department. We will state the multiple in the redemption operation announcement.

Offer means an offer to deliver for redemption a stated par amount of a specific security to the Treasury Department at a stated price.

Price means the dollar amount to be paid for a security expressed as a percent of its current par amount.

Redemption operation means a competitive process by which the Treasury Department accepts offers of marketable Treasury securities that by their terms are not immediately payable.

Security means an outstanding unmatured obligation of the United States Government that the Secretary of the Treasury is authorized to buy, redeem or refund under section 3111 of Title 31 of the United States Code.

Settlement means full and complete delivery of and payment for securities redeemed.

Settlement amount means the par amount of each security that we redeem, multiplied by the price we accept in a redemption operation, plus any accrued interest.

Settlement date means the date specified in the redemption operation announcement on which you must deliver a security to the Treasury Department for payment.

Submitter means an entity submitting offers directly to the Treasury Department for its own account, for the account of others, or both. (See § 375.11(a)).

Tender means a computer transmission or document submitted in a redemption operation that contains one or more offers.

We or *us* means the Secretary of the Treasury and his or her delegates, including the Treasury Department, the Bureau of the Fiscal Service, and their representatives. The term also includes the Federal Reserve Bank of New York, acting as fiscal agent of the United States.

You means a prospective submitter in a redemption operation.

§ 375.3 What is the role of the Federal Reserve Bank of New York in this process?

As fiscal agent of the United States, the Federal Reserve Bank of New York performs various activities necessary to conduct a redemption operation under this part. These activities may include but are not limited to:

- (a) Accepting and reviewing tenders;
- (b) Calculating redemption operation results;
- (c) Issuing notices of redemptions;
- (d) Accepting deliveries of Treasury securities at settlement; and
- (e) Processing the Treasury payment for securities delivered at settlement.

Subpart B—Offering, Certifications, and Delivery

§ 375.10 What is the purpose of the redemption operation announcement?

We provide public notice that we are redeeming Treasury securities by issuing a redemption operation announcement. This announcement lists the details of each proposed redemption operation, including the maximum redemption amount, the range of maturities of eligible securities, descriptions of the securities that fall within that maturity range, and the redemption operation and settlement dates. The redemption operation announcement and this part specify the terms and conditions of a redemption operation. If anything in the redemption operation announcement differs from anything in this part, the redemption operation announcement will apply. Accordingly, you should read the applicable redemption operation announcement along with this part.

§ 375.11 Who may participate in a redemption operation?

- (a) *Submitters.* To be a submitter, you must be (1) an institution that the Federal Reserve Bank of New York has designated as a primary dealer or (2) an entity approved by the Treasury Department to participate directly in redemption operations.
- (b) *Others.* A person or entity other than a submitter may participate only if it arranges to have an offer or offers submitted on its behalf by a submitter.

§ 375.12 How do I submit an offer?

As a submitter, you must submit an offer in a tender to the Treasury Department via the Federal Reserve Bank of New York. You must submit any tenders in an approved format and the Bank must receive them prior to the closing time stated in the redemption operation announcement. If we do not receive your tenders timely, we will reject them. Your tenders are binding on you after the closing time specified in the redemption operation announcement. You are responsible for ensuring that we receive your tenders on time. We will not be responsible in any way for any unauthorized tender submissions or for any delays, errors, or omissions in submitting tenders.

§ 375.13 What requirements apply to offers?

(a) *General.* You may only submit competitive offers (specifying a price). All offers must state the security description, par amount, and price of each security offered. All offers must equal or exceed the minimum offer amount, and be in the multiple, stated in the redemption operation announcement.

(b) *Price format.* You must express offered prices in terms of price per \$100 of par amount.

(c) *Maximum number of offers.* We may specify a maximum number of offers per security in the redemption operation announcement. There is no limit on the number of eligible securities you may offer.

§ 375.14 Do I have to make any certifications?

By submitting a tender offering a security or securities for sale, you are deemed to certify to us that:

(a) You are in compliance with this part and the redemption operation announcement;

(b) You will not use any redemption operation information from FedTrade (or any successor platform) as a basis for any transaction unless:

(1) such information is available to you from another source at the time of the transaction, or

(2) such transaction is solely for the purpose of hedging specific, identifiable risks to you arising from the acceptance or rejection of your offers in a Treasury redemption operation or unwinding

hedges of specific, identifiable risks to you arising from securities you redeem in a Treasury redemption operation; and

(c) You will not convey any redemption operation information from FedTrade (or any successor platform) to another person or entity except for the purpose of effectuating a transaction permitted under paragraph (b) of this section.

§ 375.15 Who is responsible for delivering securities?

As a submitter, you are responsible for delivering any securities we accept in the redemption operation, including any securities for which you submitted offers on behalf of others. (See § 375.23.) All securities you deliver must be free and clear of all liens, charges, claims, and any other restrictions.

Subpart C—Determination of Redemption Operation Results; Settlement

§ 375.20 When will the Treasury Department decide which offers to accept?

We will determine which offers or portions of offers to accept after the closing time for receipt of tenders. All such determinations will be final.

§ 375.21 How will the Treasury Department announce the redemption operation results?

We will make the redemption operation results available on our website. For each security we redeem, the results generally will include information such as the amounts offered and accepted and pricing information.

§ 375.22 Will I receive confirmations and, if I am submitting offers for others, do I have to provide confirmations?

(a) *Confirmations to submitters.* We will provide a confirmation of acceptance in the form of a results message to submitters of offers by the close of the business day of the redemption operation. We will not provide confirmation of rejections of offers.

(b) *Confirmation of customer offers.* If you submit a successful offer for a customer, you are responsible for notifying that customer of the impending redemption.

§ 375.23 How does the securities delivery process work?

If any of the offers you submitted are accepted, you must transfer the correct book-entry Treasury securities in the correct par amount against the correct settlement amount on the settlement date. You must deliver the securities to the account specified in the redemption operation announcement.

§ 375.24 Does the Treasury Department prorate offers at the highest accepted price for a particular security?

Offers at the highest accepted price for a particular security may be accepted on a prorated basis.

Subpart D—Miscellaneous Provisions

§ 375.30 Does the Treasury Department have any discretion in this process?

(a) We have the discretion to:

- (1) Accept or reject any offers or tenders submitted in a redemption operation;
- (2) Redeem less than the maximum redemption amount specified in the redemption operation announcement;
- (3) Add to, change, or waive any provision of this part; or
- (4) Change the terms and conditions of a redemption operation.

(b) Our decisions under this part are final. We will provide a public notice if we change any redemption operation provision, term or condition.

§ 375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?

(a) *General.* If a person or entity fails to comply with any of the redemption operation rules in this part, we will consider the circumstances and take what we deem to be appropriate action. This could include, but is not limited to, barring the person or entity from participating in future redemption operations under this part and future auctions under 31 CFR Part 356. We also may refer the matter to an appropriate regulatory agency.

(b) *Liquidated damages*. In addition to other remedies available to us, if you fail to deliver securities on time, we may require you to pay liquidated damages of up to 1% of your projected settlement amount.

Gary Grippo,

Acting Fiscal Assistant Secretary.

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