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## Explaining Settlement Fails

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### Abstract

The Federal Reserve now makes available current and historical data on trades in U.S. Treasury and other securities that fail to settle as scheduled. An analysis of the data reveals substantial variation in the frequency of fails over the 1990-2004 period. It also suggests that surges in fails sometimes result from operational disruptions, but often reflect market participants' insufficient incentive to avoid failing.

**Keywords:** settlement fails, securities lending, repurchase agreements, Treasury securities

**JEL Classification:** G18, G28

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