

FAQ for Individual Sureties

1. Why is there a change to individual sureties securing contracts?

The National Defense Appropriation Act (NDAA) of 2016, codified at 31 U.S.C. § 9310 and the forthcoming FAR 28.203-1, put into effect new rules for how contracts can be secured by individual sureties. The new rules better protect the government against the risk of fraud or mistake by individual sureties.

2. What do government contracting officers have to do now?

If a vendor or other service provider seeks to secure its contract through an individual surety, government contracting officers can use the TCMM system and operations support to validate that the individual surety's assets are acceptable under the new law and that those assets are of sufficient value under the contract's requirements.

Contracting officers will provide the TCMM team with the SF 28 submitted by the individual surety. TCMM operations needs to know a) the individual surety's contact information, b) the assets to be pledged, and c) the amount to be collateralized. TCMM will respond within 3 business days to the contracting officer, providing them with validation that the assets are eligible and of sufficient value.

Contracting officers may take action on the contract prior to confirmation from TCMM operations, but doing so runs the risk of accepting assets that will not protect the government from risk of loss.

3. What is TCMM?

Treasury Collateral Management and Monitoring is a web-enable system operated by FRB St. Louis to monitor collateral pledged to secure public funds against loss and to secure obligations owed to federal agencies. The TCMM system already provides service to federal agencies who accept collateral instead of surety bonds. This legislation will be handled very much like current TCMM operations. The TCMM team provides to support to federal agencies, bond pledgers, and financial institutions, and they can be contacted at 1-888-568-7343, option 2, or emailed at TCMM@stls.frb.org.

4. Do government contracting officers need access to TCMM?

For initial evaluation of assets, TCMM system access is not needed. TCMM operations support can review the assets for eligibility and valuation before any contract is awarded or TCMM access is established.

If a contracting officer does accept the individual surety's assets, then TCMM access will be required for the contracting officer or other responsible point of contact at the agency.

5. How do government contracting officers obtain access to TCMM?

Contact the TCMM operations team to get started.

6. Who do government contracting officers do in TCMM?

TCMM permits the contracting agency to view the value of the collateral pledged, and to change the amount of collateral that must be pledged by the individual surety. Contracting officers may also view reports related to their account.

7. What if the pledged assets decline in value?

TCMM operations will monitor the value of the collateral in real-time and alert the pledger to any declines in value that would result in a deficiency. A deficiency is when the collateral value is less than the required amount of security. If a deficiency cannot be resolved with a reasonable time, TCMM operations team will escalate the issue to the contracting officer or other responsible party at the agency.

8. What if the individual surety pledges the assets to someone else?

By taking possession of the assets, the Federal Reserve prevents those assets from being pledged to anyone else.