



# FEDERAL REGISTER

---

Vol. 79

Wednesday,

No. 237

December 10, 2014

---

Part II

Department of the Treasury

---

17 CFR Part 420

Government Securities Act Regulations: Large Position Reporting Rules;  
Final Rule

**DEPARTMENT OF THE TREASURY****17 CFR Part 420**

[Docket No. Treas-DO-2014-0002]

**Government Securities Act  
Regulations: Large Position Reporting  
Rules****AGENCY:** Office of the Assistant Secretary for Financial Markets, Treasury.**ACTION:** Final rule.

**SUMMARY:** The Department of the Treasury (Treasury) is amending its rules for reporting large positions in certain Treasury securities. The large position reporting rules are issued under the Government Securities Act (GSA) for the purposes of monitoring the impact in the Treasury securities market of concentrations of positions in Treasury securities and otherwise assisting the Securities and Exchange Commission (SEC) in enforcing the GSA. In addition, the large position reports provide Treasury with information to better understand supply and demand dynamics in certain Treasury securities. These amendments are designed to improve the information available to Treasury and simplify the reporting process for many entities subject to the large position reporting rules.

**DATES:** The amendments will become effective March 10, 2015.

**ADDRESSES:** This final rule is available at <http://www.treasurydirect.gov> and <http://www.regulations.gov>. It is also available for public inspection and copying at the Treasury Department Library, Treasury Annex Room 1020, 1500 Pennsylvania Avenue NW., Washington, DC 20220. To visit the library, call (202) 622-0990 for an appointment.

**FOR FURTHER INFORMATION CONTACT:** Lori Santamarena, Executive Director, or Kevin Hawkins, Government Securities Advisor, Department of the Treasury, Bureau of the Fiscal Service, Government Securities Regulations Staff, (202) 504-3632 or email us at [govsecreg@fiscal.treasury.gov](mailto:govsecreg@fiscal.treasury.gov).

**SUPPLEMENTARY INFORMATION:** Treasury is amending the large position reporting (LPR) rules to improve the information reported so that we can better understand supply and demand dynamics in certain Treasury securities. Specifically, the amendments: (1) Eliminate the exemptions for foreign central banks, foreign governments, and international monetary authorities (collectively “foreign official organizations”) and request that these

entities, as well as U.S. Federal Reserve Banks for their own account, voluntarily submit large position reports (Reports) when they meet or exceed a reporting threshold; (2) replace the current \$2 billion minimum reporting threshold with a percentage standard; (3) establish an additional reporting threshold for the number of futures, options on futures, and exchange-traded options contracts controlled by the reporting entity for which the specified Treasury security is deliverable; (4) replace the concept of the “reportable position” with a requirement that defined reporting entities<sup>1</sup> must file a Report if any one of eight criteria is met; (5) revise the format for the reporting of positions in the specified Treasury security and establish a two-column format for the reporting of gross “obligations to receive” and gross “obligations to deliver” as well as the gross quantity of securities borrowed and the gross quantity of securities lent; (6) expand the components of a position to include futures, options on futures, and options (both exchange-traded and over-the-counter) and establish a two-column format for reporting net positions in these contracts; (7) provide an option for a reporting entity to identify the type(s) of business it engages in and to identify its overall investment strategy with respect to positions in the specified Treasury security; and (8) consolidate relevant guidance in the LPR rules.

These amendments reflect Treasury’s continuing need to obtain relevant information from reporting entities while minimizing the cost and burden on those entities affected by the regulations. We believe these amendments are consistent with the findings of Congress that “(1) the liquid and efficient operation of the government securities market is essential to facilitate government borrowing at the lowest possible cost to taxpayers; and (2) the fair and honest treatment of investors will strengthen the integrity and liquidity of the government securities market.”<sup>2</sup> In this final rule, we provide background on the current LPR rules, discuss the amendments proposed in the notice of proposed rulemaking (NPR) issued on June 10, 2014<sup>3</sup> and public comments received, and then describe the amendments in the final rule. As explained below, we are adopting the amendments proposed in the NPR with nonsubstantive, technical modifications.

<sup>1</sup> 17 CFR 420.2.

<sup>2</sup> Public Law 103-202, 107 Stat. 2344 (1993) [15 U.S.C. 78o-5(f)].

<sup>3</sup> 79 FR 33145 (June 10, 2014).

**Table of Contents**

- I. Current Large Position Reporting Rules
  - A. Statutory Authority
  - B. Rulemaking
  - C. Reporting and Recordkeeping Requirements
    - 1. On-Demand Reporting System
    - 2. Who Is Subject to the Large Position Reporting Rules
    - 3. Notice Requesting Large Position Reports
    - 4. Control
    - 5. Components of a Position
    - 6. Recordkeeping
    - D. Calls for Large Position Reports
- II. Proposed Amendments to the Large Position Reporting Rules
- III. Comments Received in Response to the Proposed Amendments
  - A. Reporting Format
  - B. Tri-Party Repurchase Agreement Shells
  - C. Futures and Options Contracts
  - D. Worked Examples
  - E. Transition
- IV. Section-by-Section Analysis of the Final Amendments
  - A. Section 420.1—Applicability
  - B. Section 420.2—Definitions
    - 1. Control
    - 2. Large Position Threshold
    - 3. Reporting Requirement
    - 4. Tri-Party Repurchase Agreements
  - C. Section 420.3—Reporting
    - 1. Reporting Format
    - 2. Gross Reporting
    - 3. Futures and Options Contracts
    - 4. Components of a Position
    - 5. Optional Administrative Information
    - D. Appendix B to Part 420—Sample Large Position Report
- V. Effective Date and LPR Workshops
- VI. Paperwork Reduction Act
- VII. Special Analysis

**I. Current Large Position Reporting Rules****A. Statutory Authority**

In response to short squeezes in two-year Treasury notes that occurred in the government securities market in 1990–1991,<sup>4</sup> Congress included a large position reporting provision in the 1993 amendments to the GSA. This provision grants Treasury authority to prescribe rules requiring specified persons holding, maintaining, or controlling large positions in to-be-issued or recently-issued<sup>5</sup> Treasury securities to

<sup>4</sup> *Joint Report on the Government Securities Market*, Department of the Treasury, Securities and Exchange Commission, and Board of Governors of the Federal Reserve System (1992). See [www.treasurydirect.gov](http://www.treasurydirect.gov). Market participants use the term “squeeze” to refer to a shortage of supply relative to demand for a particular security, as evidenced by a movement in its price to a level that is out of line with prices of comparable securities—either outright trading quotations or in financing arrangements.

<sup>5</sup> Treasury may request information on securities that fall outside of these timeframes if such large position information is necessary and appropriate for monitoring the impact of concentrations of positions in Treasury securities. (See 17 CFR 420.2(g)(5)).

keep records and, when requested by Treasury, file reports of such large positions. The provision was intended to improve Treasury's collection of information on large positions in Treasury securities held by market participants. Such information allows Treasury to monitor the impact of concentrations of positions in the Treasury securities market. This information is also made available to the Federal Reserve Bank of New York (FRBNY), as Treasury's agent, and the SEC.<sup>6</sup> Treasury does not believe that large positions in Treasury securities are inherently problematic and there is no presumption of manipulative or illegal intent merely because a reporting entity's position is large enough to be subject to Treasury's LPR rules.

The GSA specifically provides that Treasury shall not be compelled to disclose publicly any information required to be kept or reported for large position reporting. In particular, the GSA exempts such information from disclosure under the Freedom of Information Act.<sup>7</sup>

### B. Rulemaking

Treasury published final rules in 1996 that established recordkeeping and reporting requirements related to large positions in certain Treasury securities.<sup>8</sup> The LPR rules were subsequently amended in 2002 to improve the collection of information in the Reports by requiring more detailed reporting of certain components of the formula for determining a reportable position, adding a second memorandum item that requires the reporting of the gross par amount of "fails to deliver," and modifying the definition of "gross financing position" to eliminate the optional exclusion in the calculation of the amount of securities received through financing transactions.<sup>9</sup>

### C. Reporting and Recordkeeping Requirements

#### 1. On-Demand Reporting System

An "on-demand" reporting system, rather than a regular, ongoing system of reporting, provides Treasury with the information necessary to understand supply and demand dynamics in the Treasury securities market, while minimizing the potential impact on the market's efficiency and liquidity and the cost to taxpayers of funding the federal debt. It also minimizes the cost and burden to those reporting entities affected by the LPR rules.

#### 2. Who Is Subject to the Large Position Reporting Rules

Treasury's LPR rules apply to all foreign and domestic persons and entities that control a reportable position in a Treasury security, including: Government securities brokers and dealers; registered investment companies; registered investment advisers; custodians, including depository institutions, that exercise investment discretion; hedge funds; pension funds; insurance companies; and foreign affiliates of U.S. entities.

The current rules provide an exemption for foreign official organizations.<sup>10</sup> U.S. Federal Reserve Banks are also exempt for the portion of any reportable position they control for their own account.<sup>11</sup>

#### 3. Notice Requesting Large Position Reports

Reports must be filed with FRBNY in response to a notice from Treasury requesting large position information on a specific issue of a Treasury security.<sup>12</sup> The Reports must be filed by defined reporting entities controlling positions that equal or exceed the reporting threshold specified in the notice. FRBNY must receive the Reports before noon Eastern time on the fourth business day after the issuance of the notice calling for large position information.

#### 4. Control

Treasury defines "control" as the authority to exercise investment discretion over the purchase, sale, retention, or financing of specific Treasury securities.<sup>13</sup> Investment discretion can be exercised by the beneficial owner, a custodian, or an investment adviser. The party responsible for making investment decisions, regardless of where securities are held, is the relevant reporting entity for large position reporting because the actions and objectives of the decision maker are what we are trying to determine.

#### 5. Components of a Position

Under the current rules, a reportable position is the sum of the net trading

positions, gross financing positions and net fails positions in a specified issue of Treasury securities collectively controlled by a reporting entity.<sup>14</sup> Specific components of these positions are identified at § 420.2.<sup>15</sup> Position amounts are required to be reported on a trade date basis at par value.

#### 6. Recordkeeping

The recordkeeping requirements provide that any reporting entity controlling at least \$2 billion of a particular Treasury security must maintain and preserve certain records that enable it to compile, aggregate, and report large position information.<sup>16</sup>

#### D. Calls for Large Position Reports

Treasury has conducted 14 calls since the LPR rules became effective in 1996.<sup>17</sup> We are amending the rules based on the experience gained from these calls.

## II. Proposed Amendments to the Large Position Reporting Rules

On June 10, 2014, Treasury issued an NPR in which we proposed several amendments to Treasury's LPR rules.<sup>18</sup> In the NPR, Treasury proposed to eliminate the exemptions for foreign official organizations and U.S. Federal Reserve Banks (for their own account) and request that these organizations voluntarily submit Reports if they meet or exceed the reporting threshold(s). Foreign official organizations were exempted from the LPR rules issued in 1996 because they did not typically control large positions in Treasury securities and subjecting them to the reporting requirement would have presented legal and jurisdictional issues.<sup>19</sup> Since that time, foreign official organizations have significantly increased their participation in the Treasury securities market. Foreign official organizations have an interest in this market being liquid and well-functioning. U.S. Federal Reserve Banks were also exempted for the portion of any reportable position they controlled for their own account. Treasury believes that the voluntary submission of Reports by foreign official organizations and

<sup>14</sup> 17 CFR 420.2(h).

<sup>15</sup> See 17 CFR 420.2 for definitions of gross financing position, net fails position, and net trading position.

<sup>16</sup> 17 CFR 420.4.

<sup>17</sup> So that market participants remain knowledgeable about the LPR rules, specifically how to calculate and report a reportable position, Treasury "tests" the reporting system by requesting Reports annually, regardless of market conditions for a particular security. See 60 FR 65223 (December 18, 1995).

<sup>18</sup> 79 FR 33145 (June 10, 2014).

<sup>19</sup> 61 FR 48342 (September 12, 1996).

<sup>6</sup> 15 U.S.C. 78o-5(f)(1).

<sup>7</sup> 15 U.S.C. 78o-5(f)(6).

<sup>8</sup> 61 FR 48338 (September 12, 1996).

<sup>9</sup> 67 FR 77411 (December 18, 2002).

<sup>10</sup> 17 CFR 420.1(b).

<sup>11</sup> 17 CFR 420.1(c).

<sup>12</sup> The notice is in the form of a Treasury press release that is posted to the Treasury and TreasuryDirect Web sites, subsequently published in the *Federal Register*, and also disseminated via social media, major news and financial publications, and wire services. An electronic mailing list that distributes the notice to subscribers is also available at [www.treasurydirect.gov](http://www.treasurydirect.gov).

<sup>13</sup> 17 CFR 420.2(b).

U.S. Federal Reserve Banks is consistent with the purposes of the GSA and will help Treasury to better understand supply and demand dynamics in the Treasury securities market.

The NPR proposed to replace the current \$2 billion minimum reporting threshold with a minimum threshold that is 10 percent of the outstanding amount of the specified Treasury security. Given the large range of issue sizes among various Treasury securities, making the minimum reporting threshold a percentage of the amount of the security outstanding may be a better indicator of concentrations of control. A percentage threshold would allow for a threshold that is less than the current \$2 billion minimum. We would state the dollar amount of the reporting threshold in the notice and press release announcing a call for Reports. Treasury did not, however, propose amending the \$2 billion threshold that triggers the LPR recordkeeping requirement.<sup>20</sup>

Treasury also proposed to replace the concept of the reportable position with a reporting requirement that reporting entities must file a Report if any one of seven criteria is met. For certain reporting criteria Treasury would announce different thresholds. Applying several different criteria may provide greater insight into gross exposures large enough to potentially impact the liquidity of the security, regardless of how the position was acquired. However, under no circumstances would a large position threshold be less than 10 percent of the amount outstanding of the specified Treasury security.

The NPR also introduced the term “tri-party repurchase agreement shell.” A tri-party repurchase agreement (repo) shell is an account created on the books of a tri-party repo agent bank following confirmation of a tri-party repo transaction between a cash lender and a collateral provider. Each shell has a unique account number and an eligibility rule set based on an agreement between the cash lender and the collateral provider.

Treasury proposed a revised format for an entity to report its positions and settlement obligations in the specified Treasury security, including: (1) Positions at the opening of the Federal Reserve System’s Fedwire® Securities Service (Fedwire),<sup>21</sup> (2) settlement obligations created prior to and on the

report date, and (3) positions at the close of Fedwire. The proposed reporting format would provide Treasury a better understanding of reporting entities’ positions in the specified Treasury security leading up to the report date, their settlement obligations created prior to or on the report date, and their positions at the end of the report date.

For transactions between different entities, Treasury proposed a two-column format for positions to be reported on a gross basis in order to separate settlement “obligations to receive” and “obligations to deliver.” This format would potentially make it easier for Treasury to understand a reporting entity’s trading activity, including what positions it might control in the future. This approach may also be easier for many reporting entities to understand because it may align more closely with the way they typically maintain their records.

In the NPR, Treasury proposed to expand the components of a position to also include futures, options on futures, and options contracts for which the specified Treasury security is deliverable. The components would include contracts that require delivery of the specified Treasury security as well as contracts that allow for the delivery of several securities.

Treasury also proposed to replace the current components of a total reportable position with the following report components:

- a. Positions in the Security Being Reported at the Opening of Fedwire on the Report Date, including positions:
  - i. In accounts of the reporting entity;
  - ii. In tri-party repurchase agreement shells;
  - iii. As collateral or margin against financial derivatives and other contractual obligations of the reporting entity; and
  - iv. Controlled by any other means.
- b. Settlement Obligations Attributable to Purchase and Sale Contracts Negotiated Prior to and on the Report Date (excluding settlement fails), including:
  - i. Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for cash settlement (T+0);
  - ii. Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for regular settlement (T+1);
  - iii. Obligations to receive or deliver, on the report date, the security being reported attributable to forward contracts, including when-issued contracts, for forward settlement (T+n, n>1);

iv. Obligations to receive, on the report date, the security being reported attributable to Treasury auction awards; and

v. Obligations to receive or deliver, on the report date, principal STRIPS<sup>22</sup> derived from the security being reported attributable to contracts for cash settlement, regular settlement, when-issued contracts, and forward contracts.

c. Settlement Obligations Attributable to Delivery-versus-Payment Financing Contracts (including repurchase agreements and securities lending agreements) Negotiated Prior to and on the Report Date (excluding settlement fails), including:

i. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to overnight agreements;

ii. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to term agreements opened on, or due to close on, the report date;

iii. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to open agreements opened on, or due to close on, the report date.

d. Settlement Fails from Days Prior to the Report Date (Legacy Obligations), including:

i. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on days prior to the report date.

e. Settlement Fails as of the Close of Fedwire on the Report Date, including:

i. Obligations to receive or deliver, on the business day following the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on the report date.

f. Positions in the Security Being Reported at the Close of Fedwire on the Report Date, including positions:

i. In accounts of the reporting entity;

ii. In tri-party repurchase agreement shells;

iii. As collateral or margin against financial derivatives and other contractual obligations of the reporting entity; and

iv. Controlled by any other means.

g. Quantity of Continuing Delivery-versus-Payment Financing Contracts for

<sup>20</sup> 17 CFR 420.4(a)(1).

<sup>21</sup> The Federal Reserve System’s Fedwire® Securities Service is a book-entry securities transfer system that provides safekeeping, transfer, and delivery-versus-payment settlement services. The Fedwire Securities Service operates daily from 8:30 a.m. to 3:30 p.m. Eastern Time.

<sup>22</sup> STRIPS (Separate Trading of Registered Interest and Principal of Securities) means Treasury’s program under which eligible securities are authorized to be separated into principal and interest components, and transferred separately. See 31 CFR 356.2.

the Security Being Reported, including the:

i. Net amount of security being reported lent out on term repurchase agreements that were opened before the report date and that were not due to close until after the report date, and on open repurchase agreements that were opened before the report date and that were not closed on the report date.

h. Futures and Options Contracts, including the:

i. Net long position, immediately prior to the opening of futures and options trading on the report date, in futures, options on futures, and options contracts on which the security being reported is deliverable; and

ii. Net long position, immediately following the close of futures and options trading on the report date, in futures, options on futures, and options contracts on which the security being reported is deliverable.

All amounts would be reported as positive numbers and at par in millions of dollars.

In the NPR, Treasury proposed an option for reporting entities to identify the type(s) of business engaged in by the reporting entity and its aggregating entities with respect to positions in the specified Treasury security by checking the appropriate box. Treasury also proposed an option for reporting entities to identify their overall investment strategy with respect to positions in the specified Treasury security by checking the appropriate box. Knowing the type(s) of business in which the reporting entity is engaged and its overall investment strategy with respect to the specified Treasury security would help us better understand the positions included in the entity's Report.

The current LPR rules specify the positions that entities are required to report, however, additional guidance on the treatment of specific transactions is contained in the preambles to the previous proposed and final rules, and a list of Frequently Asked Questions available on the TreasuryDirect Web site. The NPR proposed to consolidate certain guidance in the rules themselves, which may help to simplify the reporting process and make the reporting requirements clearer.

### III. Comments Received in Response to the Proposed Amendments

In response to the proposed rule, Treasury received comment letters from a private citizen and a financial services industry trade association ("trade association" or "commenter").<sup>23</sup> The

private citizen's comments were not responsive to the request for comments on the proposed LPR amendments.

While broadly supporting Treasury's goals and generally supportive of the proposed amendments in the NPR, the trade association raised several questions and technical comments.

#### A. Reporting Format

The trade association expressed concern that using a revised format that would require reporting entities to report certain information as of the opening and closing of Fedwire would not reflect actual, formal openings and closings of the Treasury and funding markets. The commenter also asserted that it would create significant operational burdens and possibly require manual processing that could undermine the overall quality of the information Treasury ultimately receives. Further, the trade association commented that, for many firms, the proposed reporting times reflect intraday positions. The commenter noted that, "member firms could not reconcile intraday positions to verify the accuracy of non-end-of-day positions." The commenter suggested that, "Treasury consider retaining its current close of business requirement for certain positions on the report date."

#### B. Tri-Party Repurchase Agreement Shells

The trade association requested further guidance as to what positions are reportable under Part I, Line 2 "held in tri-party repurchase agreement shells."

#### C. Futures and Options Contracts

The trade association questioned the expansion of the LPR rules to include certain futures and options that allow for the delivery of several securities. Currently, the rules only require the reporting of positions in futures contracts that require the delivery of the specified Treasury security. The commenter asserted that Treasury's views stated in the 1995 proposed LPR rules<sup>24</sup> "are still appropriate today (and arguably even more so given the Chicago Board of Trade's adoption of position limits on Treasury futures in 2005)."

The commenter noted that Treasury's 1995 proposed LPR rules stated the following:

- Options and certain futures contracts are excluded because they do not provide the holder with either

immediate control or an effective way to manipulate the price of a specific security.

- For options, an entity would only gain control of the security at the time the position is exercised, at which time the security would become a component of a reportable position.

- Large positions in futures contracts are already reported to the Commodity Futures Trading Commission. Thus, this information will be available to Treasury, if needed, without imposing additional reporting requirements.

The commenter noted that, "the data collected could overstate current issue positions and not provide the Treasury with an accurate picture of the potential demand and supply characteristics of a particular security. This could potentially compromise the overall value and general usefulness of this information to the Treasury." If Treasury proceeds with the expanded reporting requirement, the trade association suggested that Treasury should:

- Incorporate an adjustment to the required reporting amount to reflect the probability that the particular security will be delivered (e.g., a delta adjustment for options) to ensure that the information reflects accurately the demand and supply for that particular security.

- Clarify whether over-the-counter (OTC) options are to be considered within the scope of this expanded collection. Treasury should also provide additional guidance as to the use of published lists of cheapest-to-deliver securities provided by the futures exchanges or a vendor to determine which CUSIPs are deliverable for futures and options and the degree to which firms could limit the reportable positions to those CUSIPs that are within the top three cheapest-to-deliver.

#### D. Worked Examples

The trade association suggested it would be helpful to market participants to see the expected treatment of a hypothetical position that would include the new data elements.

#### E. Transition

The trade association requested that the final rule include an appropriate transition period before making the changes effective to allow firms sufficient time to implement the necessary tracking and reporting changes.

### IV. Section-by-Section Analysis of the Final Amendments

Treasury has endeavored to strike a balance between achieving the purposes

<sup>23</sup> Comment letter of Matthew Lykken (June 7, 2014), and comment letter of the Securities Industry

and Financial Markets Association (August 8, 2014), are available at <http://www.treasurydirect.gov/instit/statreg/gsareg/gsareg.htm>.

<sup>24</sup> 60 FR 65219 (December 18, 1995).

and objectives of the GSA's LPR requirements and minimizing costs and burdens on reporting entities. We believe that these amendments continue to achieve this balance by improving the type of information collected through the Reports while simplifying the reporting process for many reporting entities.

Treasury has carefully considered the comments we received. We have also consulted staff of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York in developing the final LPR rule amendments. We are adopting the amendments proposed in the NPR with nonsubstantive, technical modifications, including a clarification recommended by the commenter.

#### A. Section 420.1—Applicability

In the NPR, Treasury proposed to eliminate the exemptions for foreign central banks, foreign governments, and international monetary authorities and request that these entities as well as U.S. Federal Reserve Banks for their own account voluntarily submit Reports if they meet or exceed the reporting threshold(s). We did not receive any comments on this proposed amendment and, therefore, we are adopting it as proposed.

#### B. Section 420.2—Definitions

##### 1. Control

To avoid potential confusion regarding multiple entities reporting the same position in the specified Treasury security, we are modifying the definition of "control" by deleting the sentence that states only one entity should be considered to have investment discretion over a particular position. There may be situations, such as financing transactions, where more than one entity may include the same position in their calculation.

##### 2. Large Position Threshold

Treasury proposed to replace the current \$2 billion minimum reporting threshold with a minimum threshold that is 10 percent of the outstanding amount of the specified Treasury security. We did not receive any comments on this proposed amendment and, therefore, we are adopting it as proposed.

We are also adding a sentence to the definition of large position threshold stating that the term also means the minimum number of futures, options on futures, and exchange-traded options contracts that a reporting entity controls for which the specified Treasury

security is deliverable. This technical modification was made to provide for the reporting of the number of these contracts.

##### 3. Reporting Requirement

Treasury proposed in the NPR to replace the concept of the reportable position with a reporting requirement that reporting entities file a Report if any one of seven criteria set out in the Report is met. Because Treasury is requiring that futures, options on futures, and exchange-traded options be reported separately from OTC options, criterion G has been split and an eighth criterion H was added. Under G, reporting entities will be required to submit a Report if the number of futures, options on futures, and exchange-traded options contracts controlled by the reporting entity is equal to or greater than the announced large position threshold. To provide more clarity on the reporting of options positions, criterion H will require that reporting entities submit a Report if their net position in OTC options contracts on which the security being reported is deliverable is equal to or greater than the announced large position threshold. Entities would report the notional amounts of contracts regardless of the option delta.

##### 4. Tri-Party Repurchase Agreements

The proposed amendments also introduced the term "tri-party repurchase agreement shell." In its comment letter the trade association indicated that the term "tri-party repurchase agreement shell" may not be clear to reporting entities and requested further guidance as to what positions are reportable under this item. Treasury is adopting the amendment with modifications to address the issue raised by the commenter. Treasury is replacing the term "tri-party repurchase agreement shell" with "tri-party repurchase agreements," a more familiar and well understood term in the Treasury securities market.

#### C. Section 420.3—Reporting

##### 1. Reporting Format

In the NPR, Treasury proposed a revised format for an entity to report its positions and settlement obligations in the specified Treasury security at the opening and closing of Fedwire. The trade association acknowledged the informational benefits of comparing positions at two points in time and that Treasury would receive important information on a firm's behavior and activity in the market over the course of a trading day. In its comment letter,

however, the trade association stated its belief that the opening and closing of Fedwire as reporting times do not reflect actual, formal openings and closings of the Treasury and funding markets and would create significant operational burdens that could undermine the overall quality of the information Treasury ultimately receives. The commenter advocated reporting these positions as of the close of business on the report date and at the close of business on the day prior to the report date. The commenter asserted that these timeframes would be consistent with current practice and better reflect a firm's position. As recommended by the commenter, we are replacing references in the NPR to the opening and closing of Fedwire with reporting as of the opening and close of business. We are also making technical modifications to § 420.3 and appendix B to clarify the components to be included in the Report.

##### 2. Gross Reporting

For transactions between different defined reporting entities, Treasury proposed a two-column format for positions to be reported on a gross basis in order to separate settlement "obligations to receive" and "obligations to deliver." Aggregating entities that are part of the same reporting entity may net receive and deliver obligations resulting from intercompany transactions. We did not receive any comments on this proposed amendment and, therefore, we are adopting it as proposed. We are also modifying Part VII of the Report to require the reporting of the gross quantity of securities borrowed and the gross quantity of securities lent for delivery-versus-payment financing contracts. The modification was made to parallel the approach taken in other sections for reporting on a "gross" basis instead of "net" basis.

##### 3. Futures and Options Contracts

Treasury proposed to expand the components of a position to also include futures, options on futures, and options contracts for which the specified Treasury security is deliverable. The trade association questioned this proposal citing Treasury's rationale for excluding certain futures and options from the components of a reportable position in its 1996 final rule. While we continue to believe, as we did in 1996, that options and certain futures contracts do not provide the holder with either immediate control or an effective way to manipulate the price of a specific security, the proposed amendment was designed to provide Treasury with

potentially important insight into a reporting entity's strategy regarding the underlying security.

The commenter requested that, if Treasury proceeds with the expanded reporting requirement for futures and options, Treasury provide an adjustment or additional guidance to reporting entities to limit reportable positions to those Treasury securities that are the most likely to be delivered against a futures or options contract. We believe that such adjustments will complicate the position calculation process and therefore we are including all futures, options on futures, and options contracts (both exchange-traded and OTC) for which the specified Treasury security is deliverable. In addition, we are modifying Part VIII to require the reporting of net positions in these contracts (both net long and net short positions) to parallel the approach taken in other sections of the Report.

The trade association also requested that Treasury clarify whether OTC options will be within the scope of futures and options contracts that must be included in the large position reporting calculation. Treasury is making this clarification and including OTC options within the scope of the reporting requirement.

#### 4. Components of a Position

With the exception of futures and options contracts and tri-party repurchase agreement shells, Treasury did not receive comments on any other components of a position. However, to provide more clarity on the reporting of repurchase agreement positions, we are adding a separate component for the reporting of collateral against borrowings of funds on general collateral finance repurchase agreements, including the Depository Trust & Clearing Corporation's GCF Repo<sup>®</sup> service.<sup>25</sup>

#### 5. Optional Administrative Information

In the NPR, Treasury proposed an option for reporting entities to identify the type(s) of business engaged in by the reporting entity and its aggregating entities with respect to positions in the specified Treasury security by checking the appropriate box. Treasury also proposed an option for reporting entities to identify their overall investment strategy with respect to positions in the specified Treasury security by checking the appropriate box. We did not receive

any comments on these administrative information options and, therefore, we are adopting them as proposed.

#### D. Appendix B to Part 420—Sample Large Position Report

The sample large position report in appendix B has been amended to conform to the changes in § 420.3(c) of the final reporting rules.

#### V. Effective Date and LPR Workshops

The trade association requested that the final rule include an appropriate transition period. Treasury is providing a 90-day delayed effective date from the date of publication in the **Federal Register** to allow reporting entities sufficient time to make necessary preparations for compliance. The trade association also suggested that examples of expected treatment of a hypothetical position would be helpful. Subsequent to the rules taking effect, Treasury will also conduct LPR workshops at FRBNY for market participants that may potentially control large positions in a particular Treasury security.

#### VI. Paperwork Reduction Act

The collections of information contained in the final amendments have been reviewed and approved by the Office of Management and Budget (OMB) pursuant to the Paperwork Reduction Act of 1995 (Act).<sup>26</sup> Under the Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number.<sup>27</sup>

The collection of information in these amendments is contained in § 420.3. The amendments require a reporting entity that meets any one of eight criteria to submit a Report to FRBNY. Although we cannot be certain of the number of entities that would be required to report their positions as a result of a call for such Reports, we believe few reporting entities would actually have to file Reports because the minimum reporting threshold remains high. In fact, the actual reporting threshold(s) in a specific call for large position reports may exceed the minimum reporting threshold. Moreover, we expect that our requests for information will continue to be infrequent.

Treasury does not believe that reporting entities will find reporting the additional position information overly burdensome because this approach may

align more closely with the way many reporting entities typically maintain their records. In addition, reporting entities must collect much of this information to calculate their reportable position under the current LPR rules. Because the amendments require more detailed information to be provided by entities that file reports, we increased the annual reporting burden in our submission to OMB by 104 hours, representing an increase from eight hours to ten hours per reporting entity and an increase from 12 to 20 reporting entities.

The collection of information is intended to enable Treasury and other regulators to better understand supply and demand dynamics in certain Treasury securities. Such information allows Treasury to monitor the impact of concentrations of positions in the Treasury securities market. This information will help the Treasury securities market remain liquid and efficient and facilitate government borrowing at the lowest possible cost to taxpayers.

*Estimated total annual reporting burden:* 200 hours.

*Estimated annual number of respondents:* 20.

*Estimated annual frequency of response:* 1.

Comments on the accuracy of the estimate for this collection of information or suggestions to reduce the burden should be sent to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for Department of the Treasury, Washington, DC, 20503; and to the Government Securities Regulations Staff, Department of the Treasury, Bureau of the Fiscal Service, 401 14th Street SW., Washington, DC 20227.

#### VII. Special Analysis

Executive Orders 13563 and 12866 direct agencies to assess costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility.

These amendments reflect Treasury's continuing interest in meeting its informational needs while minimizing the cost and burden on those entities affected by the regulations. The amendments retain the on-demand

<sup>25</sup> The Depository Trust & Clearing Corporation's GCF Repo<sup>®</sup> service enables dealers to trade general collateral repos, based on rate, term, and underlying product, throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment basis.

<sup>26</sup> 44 U.S.C. 3507(d).

<sup>27</sup> The collections of information contained in the final amendments have been approved by the Office of Management and Budget under control number 1535-0089.

reporting system, adopted in 1996, which is less burdensome than a regular reporting system. Based on the limited impact of these amendments, it is our view that this final rule is not a “significant regulatory action” for the purposes of Executive Order 12866.

In addition, we certify under the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) that the amendments to the current regulations will not have a significant economic impact on a substantial number of small entities. We believe that small entities will not control positions of 10 percent or greater of the amount outstanding in any particular Treasury security. The inapplicability of the amendments to small entities indicates there is no significant impact. As a result, a regulatory flexibility analysis is not required.

Even though this rule qualifies as a procedural rule for purposes of 5 U.S.C. 553(b)(A), we published a proposed rule for public comment.

#### List of Subjects in 17 CFR Part 420

Banks, banking, Brokers, Government securities, Reporting and recordkeeping requirements.

For the reasons stated in the preamble, 17 CFR part 420 is revised to read as follows:

### PART 420—LARGE POSITION REPORTING

Sec.

420.1 Applicability.

420.2 Definitions.

420.3 Reporting.

420.4 Recordkeeping.

420.5 Applicability date.

Appendix A to Part 420—Separate Reporting Entity

Appendix B to Part 420—Sample Large Position Report

**Authority:** 15 U.S.C. 78o–5(f).

#### § 420.1 Applicability.

(a) This part is applicable to all persons that participate in the government securities market, including, but not limited to: Government securities brokers and dealers, depository institutions that exercise investment discretion, registered investment companies, registered investment advisers, pension funds, hedge funds, and insurance companies that may control a position in a recently-issued marketable Treasury bill, note, or bond as those terms are defined in § 420.2.

(b) Notwithstanding paragraph (a) of this section, Treasury requests that central banks (including U.S. Federal Reserve Banks for their own account), foreign governments, and international

monetary authorities voluntarily submit large position reports when they meet or exceed a reporting threshold.

#### § 420.2 Definitions.

For the purposes of this part:

*Aggregating entity* means a single entity (*e.g.*, a parent company, affiliate, or organizational component) that is combined with other entities, as specified in the definition of “reporting entity” of this section, to form a reporting entity. In those cases where an entity has no affiliates, the aggregating entity is the same as the reporting entity.

*Control* means having the authority to exercise investment discretion over the purchase, sale, retention, or financing of specific Treasury securities.

*Large position threshold* means the minimum dollar par amount of the specified Treasury security that a reporting entity must control in order for the entity to be required to submit a large position report. It also means the minimum number of futures, options on futures, and exchange-traded options contracts for which the specified Treasury security is deliverable that the reporting entity must control in order for the entity to be required to submit a large position report. Treasury will announce the large position thresholds, which may vary with each notice of request to report large position information and with each specified Treasury security. Treasury may announce different thresholds for certain reporting criteria. Under no circumstances will a large position threshold be less than 10 percent of the amount outstanding of the specified Treasury security.

*Recently-issued* means:

(1) With respect to Treasury securities that are issued quarterly or more frequently, the three most recent issues of the security.

(2) With respect to Treasury securities that are issued less frequently than quarterly, the two most recent issues of the security.

(3) With respect to a reopened security, the entire issue of a reopened security (older and newer portions) based on the date the new portion of the reopened security is issued by Treasury (or for when-issued securities, the scheduled issue date).

(4) For all Treasury securities, a security announced to be issued or auctioned but unissued (when-issued), starting from the date of the issuance announcement. The most recent issue of the security is the one most recently announced.

(5) Treasury security issues other than those specified in paragraphs (1) and (2)

of this definition, provided that such large position information is necessary and appropriate for monitoring the impact of concentrations of positions in Treasury securities.

*Reporting entity* means any corporation, partnership, person, or other entity and its affiliates, as further provided herein. For the purposes of this definition, an affiliate is any: Entity that is more than 50% owned, directly or indirectly, by the aggregating entity or by any other affiliate of the aggregating entity; person or entity that owns, directly or indirectly, more than 50% of the aggregating entity; person or entity that owns, directly or indirectly, more than 50% of any other affiliate of the aggregating entity; or entity, a majority of whose board of directors or a majority of whose general partners are directors or officers of the aggregating entity or any affiliate of the aggregating entity.

(1) Subject to the conditions prescribed in appendix A to this part, one aggregating entity, or a combination of aggregating entities, may be recognized as a separate reporting entity.

(2) Notwithstanding this definition, any persons or entities that intentionally act together with respect to the investing in, retention of, or financing of Treasury securities are considered, collectively, to be one reporting entity.

*Reporting requirement* means that an entity must file a large position report when it meets any one of eight criteria contained in appendix B to this part.

#### § 420.3 Reporting.

(a) A reporting entity must file a large position report if it meets the reporting requirement as defined in § 420.2. Treasury will provide notice of the large position thresholds by issuing a press release and subsequently publishing the notice in the **Federal Register**. Such notice will identify the Treasury security issue(s) to be reported (including, where applicable, identifying the related STRIPS principal component); the date or dates for which the large position information must be reported; and the large position thresholds for that issue. A reporting entity is responsible for taking reasonable actions to be aware of such a notice.

(b) A reporting entity shall select one entity from among its aggregating entities (*i.e.*, the designated filing entity) as the entity designated to compile and file a report on behalf of the reporting entity. The designated filing entity shall be responsible for filing any large position reports in response to a notice issued by Treasury and for maintaining

the additional records prescribed in § 420.4.

(c)(1) In response to a notice issued under paragraph (a) of this section requesting large position information, a reporting entity that controls an amount of the specified Treasury security that equals or exceeds one of the specified large position thresholds stated in the notice shall compile and report the amounts of the reporting entity's positions in the order specified, as follows:

(i) *Part I. Positions in the Security Being Reported as of the Opening of Business on the Report Date, including positions:*

(A) In book-entry accounts of the reporting entity;

(B) As collateral against borrowings of funds on general collateral finance repurchase agreements;

(C) As collateral against borrowings of funds on tri-party repurchase agreements;

(D) As collateral or margin to secure other contractual obligations of the reporting entity; and

(E) Otherwise available to the reporting entity.

(ii) *Part II. Settlement Obligations Attributable to Outright Purchase and Sale Contracts Negotiated Prior to or on the Report Date (excluding settlement fails), including:*

(A) Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for cash settlement (T+0);

(B) Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for regular settlement (T+1);

(C) Obligations to receive or deliver, on the report date, the security being reported attributable to contracts, including when-issued contracts, for forward settlement (T+n, n>1);

(D) Obligations to receive, on the report date, the security being reported attributable to Treasury auction awards; and

(E) Obligations to receive or deliver, on the report date, principal STRIPS derived from the security being reported attributable to contracts for cash settlement, regular settlement, when-issued settlement, and forward settlement.

(iii) *Part III. Settlement Obligations Attributable to Delivery-versus-Payment Financing Contracts (including repurchase agreements and securities lending agreements) Negotiated Prior to or on the Report Date (excluding settlement fails), including:*

(A) Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived

from the security being reported, attributable to overnight agreements;

(B) Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to term agreements due to open on, or due to close on, the report date; and

(C) Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to open agreements due to open on, or due to close on, the report date.

(iv) *Part IV. Settlement Fails from Days Prior to the Report Date (Legacy Obligations), including obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on days prior to the report date.*

(v) *Part V. Settlement Fails as of the Close of Business on the Report Date, including obligations to receive or deliver, on the business day following the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on the report date.*

(vi) *Part VI. Positions in the Security Being Reported as of the Close of Business on the Report Date, including positions:*

(A) In book-entry accounts of the reporting entity;

(B) As collateral against borrowings of funds on general collateral finance repurchase agreements;

(C) As collateral against borrowings of funds on tri-party repurchase agreements;

(D) As collateral or margin to secure other contractual obligations of the reporting entity; and

(E) Otherwise available to the reporting entity.

(vii) *Part VII. Quantity of Continuing Delivery-versus-Payment Financing Contracts for the Security Being Reported, including the gross amount of security being reported borrowed or lent out on term delivery-versus-payment repurchase agreements opened before the report date and not due to close until after the report date, and on open delivery-versus-payment repurchase agreements opened before the report date and not closed on the report date.*

(viii) *Part VIII. Futures and Options Contracts, including:*

(A)(1) Net position, as of the close of market on the business day prior to the report date, in futures, options on futures, and exchange-traded options contracts on which the security being

reported is deliverable (report number of contracts); and

(2) Net position, as of the close of market on the report date, in futures, options on futures, and exchange-traded options contracts on which the security being reported is deliverable (report number of contracts).

(B)(1) Net position, as of the close of market on the business day prior to the report date, in over-the-counter options contracts on which the security being reported is deliverable (report notional amount of contracts regardless of option delta); and

(2) Net position, as of the close of market on the report date, in over-the-counter options contracts on which the security being reported is deliverable (report notional amount of contracts regardless of option delta).

(d) An illustration of a sample report is contained in appendix B of this part.

(e) Each of the components of Part I–Part VIII of paragraph (c)(1) of this section shall be reported as a positive number or zero. All reportable amounts should be reported in the order specified above and at par in millions of dollars, except futures, options on futures, and exchange-traded options contracts, which should be reported as the number of contracts. Over-the-counter options contracts should be reported as the notional dollar amount of contracts regardless of option delta.

(f) Each submitted large position report must include the following administrative information: Name of the reporting entity; address of the principal place of business; name and address of the designated filing entity; the Treasury security that is being reported; the CUSIP number for the security being reported; the report date or dates for which information is being reported; the date the report was submitted; name and telephone number of the person to contact regarding information reported; and name and position of the authorized individual submitting this report.

(1) Reporting entities have the option to identify the type(s) of business engaged in by the reporting entity and its aggregating entities with positions in the specified Treasury security by checking the appropriate box. The types of businesses include: Broker or dealer, government securities broker or dealer, municipal securities broker or dealer, futures commission merchant, bank holding company, non-bank holding company, bank, investment adviser, commodity pool operator, pension trustee, non-pension trustee, and insurance company. Reporting entities may select as many business types as applicable. If the reporting entity is engaged in a business that is not listed,

it could select "other" and provide a description of its business with respect to positions in the specified Treasury security.

(2) Reporting entities also have the option to identify their overall investment strategy with respect to positions in the specified Treasury security by checking the appropriate box. Active investment strategies include those that involve purchasing, selling, borrowing, lending, and financing positions in the security prior to maturity. Passive investment strategies include those that involve holding the security until maturity. A combination of active and passive strategies would involve applying the aforementioned active and passive strategies to all or a portion of a reporting entity's positions in the specified Treasury security. Reporting entities may select the most applicable investment strategy.

(g) The large position report must be signed by one of the following: The chief compliance officer; chief legal officer; chief financial officer; chief operating officer; chief executive officer; or managing partner or equivalent of the designated filing entity. The designated filing entity must also include in the report, immediately preceding the signature, a statement of certification as follows:

By signing below, I certify that the information contained in this report with regard to the designated filing entity is accurate and complete. Further, after reasonable inquiry and to the best of my knowledge and belief, I certify that: (i) The information contained in this report with regard to any other aggregating entities is accurate and complete; and (ii) the reporting entity, including all aggregating entities, is in compliance with the requirements of 17 CFR part 420.

(h) The report must be filed before noon Eastern Time on the fourth business day following issuance of the press release.

(i) A report to be filed pursuant to paragraph (c) of this section will be considered filed when received by the Federal Reserve Bank of New York. The report may be filed by facsimile or delivered hard copy. The Federal Reserve Bank of New York may in its discretion also authorize other means of reporting.

(j) A reporting entity that has filed a report pursuant to paragraph (c) of this section shall, at the request of Treasury or the Federal Reserve Bank of New York, timely provide any supplemental information pertaining to such report.

(Approved by the Office of Management and Budget under control number 1535-0089)

#### § 420.4 Recordkeeping.

(a) *Recordkeeping responsibility of aggregating entities.* Notwithstanding the provisions of paragraphs (b) and (c) of this section, an aggregating entity that controls a portion of its reporting entity's position in a recently-issued Treasury security, when such position of the reporting entity equals or exceeds \$2 billion, shall be responsible for making and maintaining the records prescribed in this section.

(b) *Records to be made and preserved by entities that are subject to the recordkeeping provisions of the SEC, Treasury, or the appropriate regulatory agencies for financial institutions.* As an aggregating entity, compliance by a registered broker or dealer, registered government securities broker or dealer, noticed financial institution, depository institution that exercises investment discretion, registered investment adviser, or registered investment company with the applicable recordkeeping provisions of the SEC, Treasury, or the appropriate regulatory agencies for financial institutions shall constitute compliance with this section, provided that, if such entity is also the designated filing entity, it:

(1) Makes and keeps copies of all large position reports filed pursuant to this part;

(2) Makes and keeps supporting documents or schedules used to compute data for the large position reports filed pursuant to this part, including any certifications or schedules it receives from aggregating entities pertaining to their holdings of the reporting entity's position;

(3) Makes and keeps a chart showing the organizational entities that are aggregated (if applicable) in determining the reporting entity's position; and

(4) With respect to recordkeeping preservation requirements that contain more than one retention period, preserves records required by paragraphs (b)(1) through (3) of this section for the longest record retention period of applicable recordkeeping provisions.

(c) *Records to be made and preserved by other entities.* (1) An aggregating entity that is not subject to the provisions of paragraph (b) of this section shall make and preserve a journal, blotter, or other record of original entry containing an itemized record of all transactions that contribute to a reporting entity's position, including information showing the account for which such transactions were effected and the following information pertaining to the identification of each instrument: The type of security, the par amount, the

CUSIP number, the trade date, the maturity date, the type of transaction (e.g., a reverse repurchase agreement), and the name or other designation of the person from whom sold or purchased.

(2) If such aggregating entity is also the designated filing entity, then in addition it shall make and preserve the following records:

(i) Copies of all large position reports filed pursuant to this part;

(ii) Supporting documents or schedules used to compute data for the large position reports filed pursuant to this part, including any certifications or schedules it receives from aggregating entities pertaining to their holdings of the reporting entity's position; and

(iii) A chart showing the organizational entities that are aggregated (if applicable) in determining the reporting entity's position.

(3) With respect to the records required by paragraphs (c)(1) and (2) of this section, each such aggregating entity shall preserve such records for a period of not less than six years, the first two years in an easily accessible place. If an aggregating entity maintains its records at a location other than its principal place of business, the aggregating entity must maintain an index that states the location of the records, and such index must be easily accessible at all times.

(Approved by the Office of Management and Budget under control number 1535-0089)

#### § 420.5 Applicability date.

The provisions of this part shall be first applicable beginning March 31, 1997.

#### Appendix A to Part 420—Separate Reporting Entity

Subject to the following conditions, one or more aggregating entity(ies) (e.g., parent, subsidiary, or organizational component) in a reporting entity, either separately or together with one or more other aggregating entity(ies), may be recognized as a separate reporting entity. All of the following conditions must be met for such entity(ies) to qualify for recognition as a separate reporting entity:

(1) Such entity(ies) must be prohibited by law or regulation from exchanging, or must have established written internal procedures designed to prevent the exchange of information related to transactions in Treasury securities with any other aggregating entity;

(2) Such entity(ies) must not be created for the purpose of circumventing these large position reporting rules;

(3) Decisions related to the purchase, sale or retention of Treasury securities must be made by employees of such entity(ies). Employees of such entity(ies) who make decisions to purchase or dispose of Treasury

securities must not perform the same function for other aggregating entities; and

(4) The records of such entity(ies) related to the ownership, financing, purchase and sale of Treasury securities must be maintained by such entity(ies). Those records must be identifiable—separate and apart from similar records for other aggregating entities.

To obtain recognition as a separate reporting entity, each aggregating entity or group of aggregating entities must request such recognition from Treasury pursuant to the procedures outlined in § 400.2(c) of this chapter. Such request must provide a description of the entity or group and its position within the reporting entity, and provide the following certification:

[Name of the entity(ies)] hereby certifies that to the best of its knowledge and belief it meets the conditions for a separate reporting entity as described in appendix A

to 17 CFR part 420. The above named entity also certifies that it has established written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the entity or group of entities from:

(1) Exchanging any of the following information with any other aggregating entity (a) positions that it holds or plans to trade in a Treasury security; (b) investment strategies that it plans to follow regarding Treasury securities; and (c) financing strategies that it plans to follow regarding Treasury securities, or

(2) In any way intentionally acting together with any other aggregating entity with respect to the purchase, sale, retention or financing of Treasury securities.

The above-named entity agrees that it will promptly notify Treasury in writing when any of the information provided to obtain

separate reporting entity status changes or when this certification is no longer valid.

Any entity, including any organizational component thereof, that previously has received recognition as a separate bidder in Treasury auctions from Treasury pursuant to 31 CFR part 356 is also recognized as a separate reporting entity without the need to request such status, provided such entity continues to be in compliance with the conditions set forth in appendix A to 31 CFR part 356.

#### **Appendix B to Part 420—Sample Large Position Report**

##### **Formula for Determining Whether To Submit a Large Position Report**

(Report all components as a positive number or zero in millions of dollars at par value)

**BILLING CODE 4810-39-P**

	<u>Column A</u>	<u>Column B</u>
<b>Part I. Positions in the Security Being Reported as of the Opening of Business on the Report Date</b>	<u>Quantity</u>	
1. In book-entry accounts of the reporting entity	_____	
2. As collateral against borrowings of funds on general collateral finance repurchase agreements	_____	
3. As collateral against borrowings of funds on tri-party repurchase agreements	_____	
4. As collateral or margin to secure other contractual obligations of the reporting entity	_____	
5. Otherwise available to the reporting entity	_____	
<b>Part II. Settlement Obligations Attributable to Outright Purchase and Sale Contracts Negotiated Prior to or on the Report Date (excluding settlement fails)</b>	<u>Obligations to Receive</u>	<u>Obligations to Deliver</u>
6. Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for cash settlement (T+0)	_____	_____
7. Obligations to receive or deliver, on the report date, the security being reported attributable to contracts for regular settlement (T+1)	_____	_____
8. Obligations to receive or deliver, on the report date, the security being reported attributable to contracts, including when-issued contracts, for forward settlement (T+n, n>1)	_____	_____

9. Obligations to receive, on the report date, the security being reported attributable to Treasury auction awards

\_\_\_\_\_

10. Obligations to receive or deliver, on the report date, principal STRIPS derived from the security being reported attributable to contracts for cash settlement, regular settlement, when-issued settlement, and forward settlement

\_\_\_\_\_

**Part III. Settlement Obligations Attributable to Delivery-versus-Payment Financing Contracts (including repurchase agreements and securities lending agreements) Negotiated Prior to or on the Report Date (excluding settlement fails)**

**Obligations  
to Receive**

**Obligations  
to Deliver**

11. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to overnight agreements

\_\_\_\_\_

12. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to term agreements due to open on, or due to close on, the report date

\_\_\_\_\_

13. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, attributable to open agreements due to open on, or due to close on, the report date

\_\_\_\_\_

**Part IV. Settlement Fails from Days Prior to the Report Date (Legacy Obligations)**

14. Obligations to receive or deliver, on the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on days prior to the report date

\_\_\_\_\_

**Part V. Settlement Fails as of the Close of Business on the Report Date**

15. Obligations to receive or deliver, on the business day following the report date, the security being reported, and principal STRIPS derived from the security being reported, arising out of settlement fails on the report date

---



---

**Part VI. Positions in the Security Being Reported as of the Close of Business on the Report Date****Quantity**

16. In book-entry accounts of the reporting entity
17. As collateral against borrowings of funds on general collateral finance repurchase agreements
18. As collateral against borrowings of funds on tri-party repurchase agreements
19. As collateral or margin to secure other contractual obligations of the reporting entity
20. Otherwise available to the reporting entity

---



---



---



---



---



---

**Part VII. Quantity of Continuing Delivery-versus-Payment Financing Contracts for the Security Being Reported****Quantity  
Borrowed****Quantity  
Lent**

21. Gross amount of security being reported borrowed or lent out on term delivery-versus-payment repurchase agreements opened before the report date and not due to close until after the report date, and on open delivery-versus-payment repurchase agreements opened before the report date and not closed on the report date

---



---

**Part VIII. Futures and Options Contracts**

	<u>Quantity if Net Long</u>	<u>Quantity if Net Short</u>
22. a) Net position, as of the close of market on the business day prior to the report date, in futures, options on futures, and exchange-traded options contracts on which the security being reported is deliverable (report number of contracts)	_____	_____
b) Net position, as of the close of market on the report date, in futures, options on futures, and exchange-traded options contracts on which the security being reported is deliverable (report number of contracts)	_____	_____
23. a) Net position, as of the close of market on the business day prior to the report date, in over-the-counter options contracts on which the security being reported is deliverable (report notional amount of contracts regardless of option delta)	_____	_____
b) Net position, as of the close of market on the report date, in over-the-counter options contracts on which the security being reported is deliverable (report notional amount of contracts regardless of option delta)	_____	_____

**A reporting entity must submit a large position report if it meets any one of the following criteria:**

- A. If the sum of column A in lines 1 through 5 and the gross amount lent in line 21 is greater than or equal to the announced large position threshold.
- B. If the sum of column A in lines 16 through 20 and the gross amount lent in line 21 is greater than or equal to the announced large position threshold.
- C. If the sum of column A in lines 6 through 14 is greater than or equal to the announced large position threshold.
- D. If the sum of column B in lines 6 through 14 is greater than or equal to the announced large position threshold.
- E. If column A in line 15 is greater than or equal to the announced large position threshold.
- F. If column B in line 15 is greater than or equal to the announced large position threshold.
- G. If line 22(a) or line 22(b) is greater than or equal to the announced futures, options on futures and exchange-traded options contract threshold.
- H. If line 23(a) or line 23(b) is greater than or equal to the announced large position threshold.

Please specify which of the above criteria triggered the reporting requirement (check all that apply).

**Administrative Information to be Provided in the Report**

- Name of Reporting Entity:
- Address of Principal Place of Business:
- Name and Address of the Designated Filing Entity:
- Treasury Security Reported on:
- CUSIP Number:
- Date or Dates for which Information is Being Reported:
- Date Report Submitted:
- Name and Telephone Number of Person to Contact Regarding Information Reported:

Name and Position of Authorized Individual Submitting this Report (Chief Compliance Officer; Chief Legal Officer; Chief Financial Officer; Chief Operating Officer; Chief Executive Officer; or Managing Partner or Equivalent of the Designated Filing Entity Authorized to Sign Such Report on Behalf of the Entity):

(Optional) Identify the business(es) engaged in by the reporting entity and any of its aggregating entities with respect to the specified Treasury security (check all that apply).

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> A. Broker or Dealer                       | <input type="checkbox"/> E. Bank Holding Company     | <input type="checkbox"/> J. Pension Trustee       |
| <input type="checkbox"/> B. Government Securities Broker or Dealer | <input type="checkbox"/> F. Non-Bank Holding Company | <input type="checkbox"/> K. Non-Pension Trustee   |
| <input type="checkbox"/> C. Municipal Securities Broker or Dealer  | <input type="checkbox"/> G. Bank                     | <input type="checkbox"/> L. Insurance Company     |
| <input type="checkbox"/> D. Futures Commission Merchant            | <input type="checkbox"/> H. Investment Adviser       | <input type="checkbox"/> M. Other (specify) _____ |
|  | <input type="checkbox"/> I. Commodity Pool Operator  |   |

(Optional) Do you consider the reporting entity's overall investment strategy with respect to the specified Treasury security to be:

- Active
- Passive
- Combination of Active and Passive

Statement of Certification: “By signing below, I certify that the information contained in this report with regard to the designated filing entity is accurate and complete. Further, after reasonable inquiry and to the best of my knowledge and belief, I certify that: (i) the information contained in this report with regard to any other aggregating entities is accurate and complete; and (ii) the reporting entity, including all aggregating entities, is in compliance with the requirements of 17 CFR Part 420.”

Signature of Authorized Person:

**Matthew S. Rutherford,**

*Acting Under Secretary for Domestic Finance.*

[FR Doc. 2014-28734 Filed 12-9-14; 8:45 am]

**BILLING CODE 4810-39-C**