

MEMO# 28641

January 2, 2015

Treasury Adopts Amendments to Large Position Reporting Rules

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TO: ACCOUNTING/TREASURERS MEMBERS No. 1-15
COMPLIANCE MEMBERS No. 1-15
FIXED-INCOME ADVISORY COMMITTEE No. 1-15
INVESTMENT ADVISER MEMBERS No. 1-15
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 1-15
SEC RULES MEMBERS No. 1-15 RE: TREASURY ADOPTS AMENDMENTS TO LARGE POSITION REPORTING RULES

From time to time, the US Department of the Treasury (“Treasury”) calls for “large position reports” (“Reports”) from entities, including registered investment companies and registered investment advisers, that control a reportable position of \$2 billion or more in certain Treasury securities. These calls are made under Treasury's large position reporting rules (the “LPR Rules”). [\[1\]](#) Treasury proposed significant amendments to the LPR Rules in June, [\[2\]](#) and adopted those amendments substantially as proposed last month. [\[3\]](#) Members should take note that these amendments, described more fully below, (i) replace the concept of a reportable position with a requirement to file a Report if any one of eight criteria is met, and (ii) replace the current \$2 billion minimum reporting threshold with a percentage standard that may vary.

The amendments become effective March 10, 2015.

Background

The LPR Rules provide for an “on demand” reporting regime, meaning that Treasury can issue a notice at any time requesting information on large holdings of specific Treasury securities as of a date certain. [\[4\]](#) These Reports must be filed on very short deadlines (before noon Eastern time on the fourth business day after the issuance of the press release) by entities controlling [\[5\]](#) positions that equal or exceed the reporting threshold specified in the notice. Calls for Reports are episodic and somewhat rare—Treasury has called for these Reports only 14 times since the LPR Rules’ adoption in 1996. Entities also have related recordkeeping obligations.

Notable Changes to the LPR Rules

Among other things, the final amendments:

- 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 when they meet or exceed a reporting threshold;
- Replace the current \$2 billion minimum reporting threshold with a percentage standard, which may vary but will not be less than 10% of the outstanding amount of the specified Treasury security;
- 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;
- Replace the concept of the “reportable position” with a requirement that defined reporting entities must file a Report if any one of eight criteria is met; [6]
- 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;
- 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;
- 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
- Consolidate relevant guidance in the LPR Rules.

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endnotes

[1] 17 CFR Part 420. The LPR Rules are issued under the Government Securities Act. Additional information about the LPR Rules can be found at www.treasurydirect.gov/instit/statreg/gsareg/gsareg.htm#notices.

[2] See Institute Memorandum No. 28187, dated June 12, 2014, for a summary of the proposed amendments and additional background information.

[3] See Government Securities Act Regulations: Large Position Reporting Rules, 79 Fed. Reg. 73408 (Dec. 10, 2014), available at www.treasurydirect.gov/instit/statreg/gsareg/FinalRule.pdf.

[4] Treasury provides notice by issuance of a press release and subsequent publication of the notice in the Federal Register. The notice identifies the Treasury security issue to be reported, the date or dates for which the large position information must be reported, and

the applicable large position thresholds for that issue.

[\[5\]](#) “Control” is defined as “having the authority to exercise investment discretion over the purchase, sale, retention, or financing of specific Treasury securities.”

[\[6\]](#) These criteria are contained in Appendix B to the LPR Rules, which provides an illustration of a sample Report.

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