

MEMO# 28187

June 12, 2014

Treasury Proposes Amendments to Large Position Reporting Rules; Comments Due August 9

[28187]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 8-14
FIXED-INCOME ADVISORY COMMITTEE No. 7-14
INVESTMENT ADVISER MEMBERS No. 20-14
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 11-14
SEC RULES MEMBERS No. 22-14 RE: TREASURY PROPOSES AMENDMENTS TO LARGE POSITION REPORTING RULES; COMMENTS DUE AUGUST 9

From time to time, the U.S. Department of the Treasury calls for “Large Position 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 (17 CFR Part 420, the “LPR Rules”). [\[1\]](#)

Treasury has proposed significant amendments to the LPR Rules, as described below. [\[2\]](#) Comments on the proposed amendments are due August 9, 2014. The Institute is considering whether to comment.

Background

The LPR Rules were adopted in 1996 as a response to short squeezes in two-year Treasury notes that occurred in the early 1990s. The current 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. The reports must be filed by entities controlling positions that equal or exceed the reporting threshold specified in the notice. There is a very short deadline for reports—they must be submitted to the Federal Reserve Bank of New York before noon Eastern time on the fourth business day after the issuance of the notice.

Calls for position reports are episodic and somewhat rare. For example, the last call for reports was on March 15, 2013, when Treasury asked for reports relating to positions in the February 2023 2% Treasury Notes held as of the close of business on March 11, 2013. Treasury has called for these types of reports only fourteen times since the LPR Rules’

adoption in 1996.

Proposed Changes to the LPR Rule

Among other things, Treasury proposes 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. This could result in a threshold smaller than \$2 billion. The dollar amount of the threshold will be specified in the notice and press release calling for large position reports.

As a result, Treasury also proposes to replace the concept of a “reportable position” with a requirement to report if any one of seven criteria is met. The criteria are based upon a new reporting form that:

- Utilizes a revised format to show positions at the opening of the Federal Reserve System’s Fedwire® Securities Service (Fedwire), settlement obligations created prior to and on the report date, and positions at the close of Fedwire;
- Utilizes 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”;
- Expands the components of a position to include futures, options on futures, and options contracts for which the specified Treasury security is deliverable;
- Replaces the current formula for calculating a position (see the attached proposed reporting form for details); and
- Adds a section that provides reporting entities with an option to identify the types of businesses they engage in and their overall investment strategy with respect to the position (i.e., active, passive, or mixed).

Of less interest to ICI members, Treasury also proposes to eliminate certain reporting exemptions for foreign official organizations, such as foreign central banks and governments, and incorporate in the LPR Rules certain guidance currently found in FAQs.

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[Attachment](#)

endnotes

[1] Information about the LPR Rules can be found at <http://www.treasurydirect.gov/instit/statreg/gsareg/gsareg.htm#notices>.

[2] See Government Securities Act Regulations: Large Position Reporting Rules, 79 Fed. Reg. 33145 (June 10, 2014), available at <http://www.treasurydirect.gov/instit/statreg/gsareg/LPRNPRM.pdf>.

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