

MEMO# 7517

December 22, 1995

TREASURY PROPOSAL REGARDING REPORTING BY HOLDERS OF LARGE POSITIONS OF TREASURY SECURITIES

1 See Memorandum to Investment Advisers Committee No. 24-95, Investment Issues Committee No. 6-95, Money Market Funds Ad Hoc Committee No. 5-95, SEC Rules Committee No. 65-95, dated May 23, 1995. December 22, 1995 TO: INVESTMENT ADVISERS COMMITTEE No. 50-95 INVESTMENT ISSUES COMMITTEE No. 11-95 MONEY MARKET FUNDS AD HOC COMMITTEE No. 15-95 SEC RULES COMMITTEE No. 133-95 RE: TREASURY PROPOSAL REGARDING REPORTING BY HOLDERS OF LARGE POSITIONS OF TREASURY SECURITIES

The Department of the Treasury ("Treasury") recently issued for public comment proposed rules that would establish reporting and recordkeeping requirements related to large positions in certain Treasury securities. The Treasury proposal, which reflects several recommendations made by the Institute on the Treasury's Advance Notice of Proposed Rulemaking regarding large position reporting, is summarized below.¹ The proposal generally would require any reporting entity with holdings of a particular issue of Treasury securities to report that position. Under the proposal, investment advisers typically would aggregate the holdings of their discretionary clients, including investment companies, and report that position, as requested by Treasury. The Treasury explains that this "on-demand" reporting requirement should result in infrequent reporting, primarily in response to pricing anomalies in a specific Treasury security. In addition, under the "on-demand" reporting approach, the specific large position reporting threshold for any given Treasury security issue may vary, but reports would not be required for any holdings of a particular issue under \$2 billion. Under the proposal, the Treasury could request additional information from a reporting entity if, after analyzing the large position reports, it requires further data to understand better the extent and nature of the concentration of positions in a particular Treasury security. The proposal specifies the method by which the Treasury will provide notice to the marketplace requesting large position reports, the specific information that must be provided on the large position reports, where they must be filed, and the time frame for their submission. The proposal also contains recordkeeping requirements. An entity designated as the filing entity (i.e., the party responsible for filing reports with the Treasury on behalf of itself and its affiliates) would be required to maintain copies of all of the large position reports it filed, worksheets used to compute the reportable position and to prepare large position reports, and a chart showing the organizational entities whose data is combined for purposes of calculating a reportable position. No other recordkeeping requirements are proposed for entities already subject to recordkeeping obligations under the federal securities laws (including investment companies and investment advisers). Rather, the proposal recognizes that reportable positions can be constructed relatively

easily from records that these entities are already required to keep. The proposal provides for a delayed effective date of approximately six months after publication of the final rule. A copy of the release proposing the rules is attached. Comments on the proposal must be filed by February 16, 1995. If there are any issues you would like the Institute to consider addressing in a comment letter, please contact me by Tuesday, January 23, 1995. You can contact me by phone at (202) 326-5821 or by fax at (202)326-5827. Dorothy M. Donohue
Assistant Counsel Attachment

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