



## **DEPARTMENT OF THE TREASURY**

### **17 CFR Part 420**

#### **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 issuing a final rule to amend its Large Position Reporting rules (LPR Rules). These technical amendments make no substantive changes to the rules but are designed to provide Treasury with additional flexibility to specify in its notice requesting large position reports where and how reports are to be filed. Accordingly, Treasury will provide notice by issuing a public announcement and subsequently publishing the notice in the Federal Register. Treasury believes these amendments may also minimize the costs and burden on reporting entities.

**DATES:** The amendments are effective November 17, 2018.

**ADDRESSES:** This final rule is available at <http://www.treasurydirect.gov> and <http://www.regulations.gov>.

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

#### **SUPPLEMENTARY INFORMATION:**

## I. Background

### A. Treasury's Large Position Reporting Rules

The LPR Rules<sup>1</sup> are issued under the Government Securities Act (GSA),<sup>2</sup> as amended, for the purposes of monitoring the impact of large positions in Treasury securities in the Treasury securities market and otherwise assisting the Securities and Exchange Commission (SEC) in enforcing the GSA.<sup>3</sup> The LPR Rules provide an on-demand reporting system<sup>4</sup> that requires reports to be filed by entities that control 10 percent or more in a particular Treasury security (or securities) as of a particular date. The reports provide information on large positions in Treasury securities held by market participants and additional insight into the supply and demand dynamics in certain Treasury securities.<sup>5</sup> This information allows Treasury to monitor the impact of concentrations of positions.<sup>6</sup> Since the rules became effective in 1997, Treasury has conducted 16 large position report calls.

### B. Who is Subject to the LPR Rules

Treasury's LPR Rules apply to all foreign and domestic persons and entities that control a reportable position in a Treasury security, including but not limited to: government securities brokers and dealers; registered investment companies; registered investment advisers; custodians, including depository institutions that exercise investment discretion; hedge funds;

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<sup>1</sup> 78 FR 73414 December 10, 2014.

<sup>2</sup> Pub. L. No. 103-202, 107 Stat. 2344 (1993) [15 U.S.C. 78o-5(f)].

<sup>3</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.

<sup>4</sup> 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.

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

<sup>6</sup> Under current rules, this information is also made available to the Federal Reserve Bank of New York (FRBNY), as Treasury's agent, and the SEC. *See* 15 U.S.C. 78o-5(f)(1).

pension funds; insurance companies; and foreign affiliates of U.S. entities. Central banks (including U.S. Federal Reserve Banks for their own account), foreign governments, and international monetary authorities may voluntarily submit large position reports when they meet or exceed a reporting threshold.

### C. The Existing Large Position Report Submission Process

Under the current LPR Rules, reports are required to be filed by facsimile (fax) or delivered by hardcopy to FRBNY. A report is considered filed when received by FRBNY. Reporting entities typically have three and one-half business days to submit reports, and most reports are filed by fax with FRBNY. Following previous calls for large position reports, many reporting entities have commented that it is difficult to find functional fax machines and would prefer an alternate means of submission. In response to this feedback, Treasury is currently exploring alternate options for the submission of reports.

## **II. Technical Amendments to the LPR Rules**

These technical amendments make no substantive changes to the LPR Rules. They are designed to provide Treasury with the flexibility to specify in its notice requesting large position reports where and how reports are to be filed. These amendments will also provide Treasury with the added flexibility to consider alternate means of submission, which may further reduce the burden on reporting entities. Treasury will provide notice of a request for reports, and how the reports are to be delivered, by issuing a public announcement and subsequently publishing the notice in the Federal Register.

Specifically, the technical amendments replace references to “press release” with “public announcement;” provide the option for Treasury to specify in its public announcement that reports can be submitted to Treasury directly; and provide the option for Treasury to specify in

its public announcement how reports are to be submitted by removing references to “facsimile” and “delivered hard copy.”

### **III. Special Analyses**

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. This rule is not a significant regulatory action for purposes of Executive Order 12866.

This final rule is procedural in nature under 5 U.S.C. 553(b)(A) and therefore prior notice and comment procedures are not required. In addition, because the final rule makes no substantive change to the existing rules and imposes no additional requirements, we find under 5 U.S.C. 553(b)(B) that there is good cause that notice and public procedures are unnecessary, and that the rule can be issued in final form.

Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) do not apply. 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.

#### **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 amended as follows:

## **PART 420—LARGE POSITION REPORTING**

1. The authority citation for part 420 continues to read as follows;

**Authority:** 15 U.S.C. 78o–5(f).

2. Amend § 420.3 by revising the second sentence of paragraph (a) and revising paragraphs (h), (i), and (j) to read as follows:

### **§ 420.3 Reporting.**

(a) \* \* \* Treasury will provide notice of the large position thresholds by issuing a public announcement and subsequently publishing the notice in the FEDERAL REGISTER. \* \* \*

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

(i) A report to be filed pursuant to paragraph (c) of this section will be considered filed when received by Treasury or the Federal Reserve Bank of New York according to the instructions provided in the public announcement.

(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 at the direction of Treasury, timely provide any supplemental information pertaining to such report.

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Brian Smith,

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