

RESCINDED

Outdated - see OCC
Bulletin 2015-5

AL 97-5

Subject: Treasury's Large Position Recordkeeping and Reporting Rules

TO: Chief Executive Officers of All National Banks, Department and Division Heads, and all Examining Personnel

At the request of the U.S. Department of the Treasury, the OCC is forwarding the attached document regarding Treasury's large position rules (17 CFR 420) which became effective March 31, 1997. Treasury prepared this question and answer document to assist entities, including banks, in determining if they or their affiliates are subject to the recordkeeping and reporting requirements. Since the rules apply to a wide variety of bank and affiliate activities, including portfolio investments, broker-dealer, foreign affiliates, and fiduciary activities, each bank should review the Qs and As to determine if it could be subject to the recordkeeping and/or reporting requirements. In general, an entity becomes subject to the recordkeeping requirements when it controls a position in a recently-issued Treasury security of at least \$2 billion. An entity becomes subject to the reporting requirements only when its position equals or exceeds Treasury's publicly announced threshold requesting large position reports. Treasury has stated that this threshold will not fall below \$2 billion.

Periodic updates to the Qs and As and the large position rules can be obtained from the Bureau of Public Debt's Web site (www.publicdebt.treas.gov) or by calling the Bureau of the Public Debt, Government Securities Regulations Staff at (202-219-3632). Examiners should call the Treasury and Market Risk Division on (202-874-5670) or Fiduciary Activities (202-874-5419) to discuss issues relating to the examination process.

G. Scott Calhoun
Deputy Comptroller for Risk Evaluation and Capital Markets

Attachment

Government Securities Act of 1986

Frequently Asked Questions Relating to Treasury's Large Position Recordkeeping and Reporting Rules

Treasury's large position rules (17 CFR Part 420), which were issued in final form on September 12, 1996 (61 FR 48338), establish recordkeeping and reporting requirements for entities that control large positions in certain Treasury securities. The rules put in place an on-demand reporting system which, in response to a notice by Treasury requesting large position information, requires large position reports to be filed by entities that control a position in a particular Treasury security or securities equaling or exceeding the specified large position threshold. The rules are effective March 31, 1997.

The rules are intended to improve the information available to Treasury and other regulators regarding concentrations of control and to ensure that regulators have the tools necessary to monitor the Treasury securities market. Large positions, in and of themselves, are not inherently harmful, and there is no presumption of manipulative or illegal intent on the part of the controlling entity merely because it is required to submit a large position report in response to these rules.

As we move closer to the implementation date of the rules, we are providing additional clarifying information and guidance to help market participants complete the necessary actions to put in place policies, procedures and processes so that they will be in compliance with the rules. The information provided below is a summary of the most frequently asked questions, together with the answers that Treasury staff has provided in response to those questions. The Qs & As are grouped by category within the various sections of the rules. The Qs & As are not a substitute for the rules and as such should be used in conjunction with the actual regulations. Further, this information does not constitute a formal interpretation of the large position rules.

Any questions regarding the large position rules should be directed to the Government Securities Regulations Staff at 202-219-3632.

1) SECTION 420.1 - APPLICABILITY

- 1.1) Who is subject to the large position rules?
- 1.2) Are foreign aggregating entities subject to the large position requirements?

2) SECTION 420.2 - DEFINITIONS

2.1) Recently-Issued

- 2.1.1) What is considered the most recent issue within the definition of "recently-issued?"

2.2) Reporting Entities, Aggregating Entities, Designated Filing Entities

- 2.2.1) When a reporting entity has the right to appoint a majority of the board of directors for an outside entity, but has not exercised the right, does the outside entity fall within the definition of an affiliate or aggregating entity of the reporting entity?
- 2.2.2) If the general partner of an aggregating entity personally invests in an outside entity, is that outside entity considered part of the aggregating entity for purposes of the rule?
- 2.2.3) Can a designated filing entity submit separate large position reports for each aggregating entity within its reporting entity, or must it consolidate the report to be filed on behalf of the reporting entity?
- 2.2.4) Can an individual be its own designated filing entity?
- 2.2.5) Can an entity be a designated filing entity for two separate reporting entities?

3) SECTION 420.3 - REPORTING

3.1) Reporting Requirements and Turn-Around Time

- 3.1.1) What procedures will Treasury use to issue and disseminate the notice requesting large position reports?
- 3.1.2) When will the large position reports be due?
- 3.1.3) Where should the large position reports be filed?
- 3.1.4) When Treasury makes a request for large position reporting on a particular security, will \$2 billion be the large position threshold?
- 3.1.5) Are position amounts on the large position report recorded on a trade date basis or settlement date basis?
- 3.1.6) Can Treasury issue a request for large position information for more than one CUSIP (i.e., security) and/or for more than one reporting date in a single request?
- 3.1.7) What if one or more of a reporting entity's foreign affiliates is closed (due to a holiday) during the reporting time frame?
- 3.1.8) Is a custodian required to report on positions it holds in a safekeeping capacity?
- 3.1.9) Does a custodian have an obligation to inform its customers of the large position recordkeeping and reporting requirements?
- 3.1.10) Will Treasury release the large position information to the public?

3.2) Net Trading Position - Futures Contracts

- 3.2.1) Are futures contracts to be included in the computation of the net trading position if securities designated as "cheapest to deliver" are specified for delivery to close out the contract?

3.3) Gross Financing Position

- 3.3.1) Two aggregating entities are part of the same reporting entity and are not recognized as separate bidders in Treasury auctions. If the two aggregating entities conduct intercompany financing transactions with one another involving the same security (i.e., the same CUSIP and par amount), must both of these transactions be included in the gross financing position of the reporting entity's large position report?
- 3.3.2) Two aggregating entities are part of two different reporting entities but are affiliated within a larger organizational structure (they have received recognition as separate bidders or separate reporting entities). If the two aggregating entities conduct intercompany financing transactions with each other involving the same security (same CUSIP and par amount), how must these transactions be treated by the respective reporting entities when aggregating gross financing position information for large position reports?
- 3.3.3) When a reporting entity enters into a reverse repurchase transaction (i.e., receives collateral), and the counterparty has the right to substitute the collateral, how is this collateral treated for purposes of the gross financing position computation?
- 3.3.4) Can a reporting entity reduce its gross financing position by the amount of securities received in a reverse repurchase transaction in which the counterparty retains the right to substitute securities subject to the approval of the reporting entity?
- 3.3.5) Is an overnight reverse repurchase transaction (i.e., unwound within 24 hours) considered analogous to a reverse repo involving "rights to substitution," thus permitting the optional exclusion to be available when computing and reporting the gross financing position?

3.4) Net Fails Position

- 3.4.1) What is the treatment of fails in the large position report?
- 3.4.2) What is the treatment of fail financings in the large position report?

4) SECTION 420.4 - RECORDKEEPING

- 4.1) If a reporting entity was not required to send a letter to Treasury stating that it had or would have in place a recordkeeping system enabling it to meet the requirements of the rule, is it required to have a recordkeeping system in place by March 31, 1997? What about after March 31, 1997?
- 4.2) Would a reporting entity that is subject to the large position rules fall out of the recordkeeping requirements if it did not control a position equal to or greater than the minimum large position threshold (\$2 billion) for an extended period (e.g., one year)?
- 4.3) If funds, investment companies, or other entities are aggregated within a reporting entity, and such reporting entity is subject to the recordkeeping requirements of the rules, must the funds, investment companies, or other entities follow the recordkeeping rules also?
- 4.4) An entity (such as a hedge fund, pension fund, or insurance company) is not subject to federal securities recordkeeping rules but is required to follow the recordkeeping requirements of the large position rules (section 420.4(c)). Is it permissible for such an entity to have a third party make and maintain its records, including making and maintaining the records at another location?
- 4.5) Regarding the requirement to retain large position records for either 3 or 6 years, depending on the type of record, does the time frame apply from the date Treasury requests a large position report?

5) APPENDIX A TO PART 420 - SEPARATE REPORTING ENTITY

- 5.1) Does an entity qualify as a separate reporting entity without having to request such status if it already has received recognition as a separate bidder for purposes of Treasury auctions?
- 5.2) Conversely, does such an entity qualify as a separate bidder for auction purposes without requesting such status if the entity has already received recognition as a separate reporting entity for purposes of the large position rules?
- 5.3) Where a reporting entity consists of more than one aggregating entity, is each aggregating entity that requests recognition as a separate reporting entity required to send a separate written letter to Treasury?
- 5.4) Can organizational components that are not separate legal entities be carved out as separate reporting entities?

6) APPENDIX B TO PART 420 - SAMPLE LARGE POSITION REPORT

- 6.1) When submitting a large position report, is there a specific form that must be used? What information must be submitted?
- 6.2) Can an individual sign a large position report as the authorized official if he/she does not have one of the specific titles listed in the rules?
- 6.3) Sample Large Position Report
- 6.4) Administrative Information to be Provided in the Report

[Return to top of questions](#)

1) SECTION 420.1 - APPLICABILITY

- 1.1) Who is subject to the large position rules?

With the exception of foreign official organizations and the Federal Reserve Banks, Treasury's large position recordkeeping and reporting rules apply to all entities, foreign and domestic, that may control a reportable position in a recently-issued Treasury security. This includes but is not limited to: 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; foreign banks; and foreign affiliates of U.S. entities.

Treasury places great importance on, and takes very seriously, compliance with its rules, especially those that are intended to strengthen the integrity of the Treasury securities market by combating manipulation and fraud. It is important for all market participants to recognize that the rules create a requirement for affected entities to maintain records and report information on large positions. In considering the issue of obtaining large position information from foreign entities, the Treasury expects that U.S. regulators will work with foreign securities and banking regulators through Memorandums Of Understanding and other means when, and if, such actions become necessary.

1.2) Are foreign aggregating entities subject to the large position requirements?

Yes, with very limited exceptions (see question 1.1), foreign investors are subject to the requirements. It is impractical to exempt foreign investors from the large position rules since the potential exists for these entities to amass large positions in Treasury securities. Further, the granting of such an exemption could cause U.S.- based entities to move their securities holdings overseas to foreign firms.

[Return to questions](#)

2) SECTION 420.2 - DEFINITIONS

2.1) Recently-Issued

2.1.1) What is considered the most recent issue within the definition of "recently-issued?"

"Recently-issued" Treasury securities are defined in the rules and are determined by the frequency of the issue. For those securities that are issued on a quarterly or more frequent basis (i.e., bills and notes), the three most recent issues are considered "recently-issued." For example, in early April, the March, February, and January 2-year notes would be "recently-issued," with the March 2-year note being the most recent issue. For those securities that are issued less frequently than quarterly (i.e., currently just bonds), the two most recent issues would be "recently-issued."

For all Treasury securities, a when-issued security -- a security announced to be issued or auctioned but as yet unissued -- would be included in the definition of "recently-issued" and would be considered the most recent issue. A when-issued security is always the most recent issue. For example, on February 5, 1997, Treasury announced the auction and issuance of 30-year Treasury bonds. The auction date was set for February 13, with settlement on February 18. With the commencement of when-issued trading after the announcement on February 5, that 30-year bond would be considered the most recent issue of that maturity category. It would remain the most recent issue until the announcement of the next issue of 30-year bonds (assuming it was not reopened).

2.2) Reporting Entities, Aggregating Entities, Designated Filing Entities

2.2.1) When a reporting entity has the right to appoint a majority of the board of directors for an outside entity, but has not exercised the right, does the outside entity fall within the definition of an affiliate or aggregating entity of the reporting entity?

No, the outside entity does not fall within the definition of affiliate or aggregating entity simply because the reporting entity has the right to appoint a majority of its board of directors. The entity would fall within the definition of affiliate or aggregating entity when the reporting entity exercises its right and appoints a majority of the board of directors to the entity.

2.2.2) If the general partner of an aggregating entity personally invests in an outside entity, is that outside entity considered part of the aggregating entity for purposes of the rule?

Subject to other applicable restrictions contained in the rule, the outside entity would not be

considered part of the aggregating entity unless the general partner owned more than 50% of the partnership and more than 50% of the outside entity.

2.2.3) Can a designated filing entity submit separate large position reports for each aggregating entity within its reporting entity, or must it consolidate the report to be filed on behalf of the reporting entity?

A reporting entity must select one entity from its aggregating entities (i.e., the designated filing entity) as the entity designated to compile and file a consolidated report on behalf of the entire reporting entity. A designated filing entity is not required to be a distinct legal entity.

2.2.4) Can an individual be its own designated filing entity?

Yes, an individual can be her/his own designated filing entity. An individual can also be the designated filing entity of a reporting entity consisting of multiple entities.

2.2.5) Can an entity be a designated filing entity for two separate reporting entities?

No, each separate reporting entity must select one entity from among its own aggregating entities as the entity designated to compile and file a report on its behalf. This is designed to prevent the exchange of information related to transactions in Treasury securities between separate reporting entities.

[Return to questions](#)

3) SECTION 420.3 - REPORTING

3.1) Reporting Requirements and Turn-Around Time

3.1.1) What procedures will Treasury use to issue and disseminate the notice requesting large position reports?

Treasury will provide notice requesting large position reports by issuing a press release and subsequently publishing a notice in the Federal Register. The press release will be made available to major news and financial organizations and electronic wire services for dissemination. The announcement requesting large position reports will also be provided to PSA The Bond Market Trade Association, the Investment Company Institute and the British Bankers' Association, as they requested, so that they can distribute the announcement to their members. It is the responsibility of market participants to take the necessary actions to be aware of requests by the Treasury for large position reports.

3.1.2) When will the large position reports be due?

Large position reports must be received by the Federal Reserve Bank of New York before noon Eastern time on the fourth business day after the issuance of the Treasury press release calling for large position information. The actual date on which reports are due will be provided in the press release.

3.1.3) Where should the large position reports be filed?

Large position reports must be filed with the Market Reports Division of the Federal Reserve Bank of New York, 33 Liberty Street, 4th Floor, New York, NY. The reports may be filed by facsimile at 212-720-8028 or delivered hard copy.

3.1.4) When Treasury makes a request for large position reporting on a particular security, will \$2 billion be the large position threshold?

Probably not. The large position threshold specified in any actual request for large position information will likely be in excess of \$2 billion. The \$2 billion level is an absolute minimum reporting amount (floor) below which reports will not be requested.

3.1.5) Are position amounts on the large position report recorded on a trade date basis or settlement date basis?

All position amounts on the large position report (including the memorandum item) must be reported on a trade date basis, at par in millions of dollars, and as of the close of business of the reporting date(s) specified in the notice. For Treasury inflation-indexed securities, the par amount is the stated value of a security at original issuance.

3.1.6) Can Treasury issue a request for large position information for more than one CUSIP (i.e., security) and/or for more than one reporting date in a single request?

Yes, Treasury can request large position reports for more than one CUSIP and also for more than one reporting date. In those instances, separate large position information must be submitted for each CUSIP and each reporting date.

3.1.7) What if one or more of a reporting entity's foreign affiliates is closed (due to a holiday) during the reporting time frame?

Treasury is sympathetic to the concerns regarding the time and effort needed to compile, aggregate, and file the large position reports, particularly where reporting entities have foreign affiliates. However, significant changes were made in the final rules to reduce the burdens associated with complying with the large position rules. Accordingly, all reportable positions of foreign affiliates must be included in the large position report to meet the three and one-half business day reporting requirement, regardless of holidays.

3.1.8) Is a custodian required to report on positions it holds in a safekeeping capacity?

No, a custodian is not required to report on such positions, provided it does not have the authority to exercise control (i.e., investment discretion) over the purchase, sale, retention or financing of specific Treasury securities. However, if the custodian has the authority to exercise control, the custodian would be required to report on such positions.

3.1.9) Does a custodian have an obligation to inform its customers of the large position recordkeeping and reporting requirements?

No, under Treasury's large position rules, neither a custodian nor an executing broker-dealer is obligated to inform its customers of these recordkeeping and reporting requirements.

3.1.10) Will Treasury release the large position information to the public?

No, the Government Securities Act Amendments of 1993, which granted Treasury the authority to write these rules, specifically provide that Treasury will not be compelled to disclose publicly any information required to be kept or reported. In particular, such information is exempt from disclosure under the Freedom of Information Act.

3.2) Net Trading Position - Futures Contracts

3.2.1) Are futures contracts to be included in the computation of the net trading position if securities designated as "cheapest to deliver" are specified for delivery to close out the contract?

No, since securities other than the one that is the subject of the call for a large position report can be

delivered. The security that is the "cheapest to deliver" frequently changes over the life of a futures contract such that the security that actually gets delivered may not be known until the settlement date of the contract. Since the "cheapest to deliver" security may be one of several different securities, albeit one of those that is the subject of a large position report, a futures contract that involves delivery of the "cheapest to deliver" security would not be included in the computation of the net trading position.

3.3) Gross Financing Position

3.3.1) Two aggregating entities are part of the same reporting entity and are not recognized as separate bidders in Treasury auctions. If the two aggregating entities conduct intercompany financing transactions with one another involving the same security (i.e., the same CUSIP and par amount), must both of these transactions be included in the gross financing position of the reporting entity's large position report?

In this case, the reporting entity need only count the security once when preparing a large position report. This approach allows firms to avoid multiple counting within a reporting entity. For example, assume that aggregating entity A and aggregating entity B are part of the same reporting entity. Aggregating entity A enters into a reverse repo and receives \$100 million of a security as collateral. It then repos out the \$100 million security to aggregating entity B. The reporting entity, upon submitting a large position report for the CUSIP used in this example, would not have to include both \$100 million transactions when aggregating and reporting its gross financing position -- even though both aggregating entities would have conducted reverse repos.

Similarly, assume that aggregating entity A has a \$100 million proprietary long position and repos out the security to aggregating entity B. The reporting entity need only include the security once when it aggregates information for a large position report. The \$100 million is either included in its net trading position (attributable to aggregating entity A's proprietary long position) or in its gross financing position (attributable to aggregating entity B's reverse repo).

3.3.2) Two aggregating entities are part of two different reporting entities but are affiliated within a larger organizational structure (they have received recognition as separate bidders or separate reporting entities). If the two aggregating entities conduct intercompany financing transactions with each other involving the same security (same CUSIP and par amount), how must these transactions be treated by the respective reporting entities when aggregating gross financing position information for large position reports?

Even though the transactions involve the same security, they must be included in the large position computations of each aggregating entity's respective reporting entity. If aggregating entities A and B conduct transactions as described in question 3.3.1 and are affiliated but part of separate reporting entities, the reporting entity for aggregating entity A would have to count the \$100 million security in its large position computation as either a gross financing position or a net trading position, while the reporting entity for aggregating entity B would be required to include the \$100 million security in its gross financing position. This approach applies in all cases where aggregating entities A and B belong to separate reporting entities -- regardless of whether they are affiliated.

The rules require this type of reporting even though the security is no longer in the possession of aggregating entity A -- the security has been contemporaneously repoed out to aggregating entity B -- since both reporting entities control the security (based on the definition of control in the large position rules). This approach will result in some multiple counting by reporting entities, but the resulting multiple counting will provide additional information about entities that have various legal claims to a security and that may potentially benefit from any possible market disruptions.

3.3.3) When a reporting entity enters into a reverse repurchase transaction (i.e., receives collateral), and the counterparty has the right to substitute the collateral, how is this collateral treated for purposes of the gross financing position computation?

The reporting entity may exclude such collateral from its gross financing position computation. The rules provide for an optional exclusion whereby a reporting entity may exclude from its gross financing position the par value of securities received through reverse repos under one or more of the following conditions: the counterparty retains the right to substitute securities; the securities are subject to third party custodial relationships; or the transactions are hold-in-custody agreements. However, this optional exclusion is not limited to reverse repos; it applies to all components of the gross financing position in which securities are received as collateral (e.g., collateral for financial derivatives or other securities transactions).

3.3.4) Can a reporting entity reduce its gross financing position by the amount of securities received in a reverse repurchase transaction in which the counterparty retains the right to substitute securities subject to the approval of the reporting entity?

Yes, under such circumstances, the securities qualify for the "right to substitution" condition of the optional exclusion. The reporting entity may therefore exclude such securities from its gross financing computation.

3.3.5) Is an overnight reverse repurchase transaction (i.e., unwound within 24 hours) considered analogous to a reverse repo involving "rights to substitution," thus permitting the optional exclusion to be available when computing and reporting the gross financing position?

No, neither an overnight reverse repo nor any other type of overnight financing qualifies for the optional exclusion, unless at least one of the previously specified conditions is met (see question 3.3.3). This is because, as of the close of business of the reporting date(s), which is when positions must be determined for large position reports, an overnight reverse repo would be considered to be controlled by the reporting entity. The Treasury specifically considered this topic when developing the rules and determined that no differentiation would be made between reverse repos of varying contract maturities (e.g., overnight vs. term reverse repos).

3.4) Net Fails Position

3.4.1) What is the treatment of fails in the large position report?

Note: For purposes of the following answers, all transactions are at par value. Also, Line 3 Net Fails Position equals fails to receive less fails to deliver. If the difference is equal to or less than zero, report 0 (see section 420.2(e) of the large position rules).

The Cash Market -- Fails-to-Receive. Firm A has \$100 of a Treasury security in its inventory. On day one (*trade date*), the firm enters into two transactions involving the same CUSIP as the security in the firm's inventory: a cash market purchase of \$70 and a cash market sale of \$30, both for regular-way (i.e., next-day) settlement. On day two, Firm A fails to receive the \$70 security and fails to deliver the \$30 security.

Treasury requests large positions reports for positions to be calculated as of day one (trade date). Firm A's large position report would include the following entries:

Line 1 Net Trading Position	\$140
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$0

If Treasury requests large position reports for positions to be computed as of day two (the settlement date of the transactions), the firm's large position report would include the following entries:

Line 1 Net Trading Position	\$100
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$40*
* (\$70 - \$30 = \$40)	

The explanation for this result is as follows. As clarified in the preambles of both the proposed and final large position rules, a position remaining unsettled after its scheduled settlement date (the term "settlement" has the same meaning as "clearance" in this document) is not to be included in the computation of the net trading position (see 60 FR 65219, December 18, 1995 and 61 FR 48345, September 12, 1996, respectively). Accordingly, when Treasury requests the computation for day two, the \$40 net position that was formerly a net long calculation on day one must be removed from the net trading position and included in the net fails position (as fails-to-receive minus fails-to-deliver).

The Cash Market -- Fails-to-Deliver. On day one, Firm A is long \$100 of a Treasury security, which is held in its inventory. That same day, the firm enters into a trade to sell \$40 of the security for regular-way (i.e., next day) settlement. There was some confusion regarding the delivery instructions, however, and the firm failed to deliver the security on day two.

Treasury requests large position reports for positions to be calculated as of day one (trade date). The firm would include the following entries in its large position report:

Line 1	Net Trading Position	\$60
Line 2	Gross Financing Position	\$0
Line 3	Net Fails Position	\$0

If Treasury requests large position reports for positions to be computed as of day two, the firm would include the following entries in its large position report:

Line 1	Net Trading Position	\$100
Line 2	Gross Financing Position	\$0
Line 3	Net Fails Position	\$0*

* ($\$0 - \$40 = -\$40$)

The rationale for this result is identical to that used in the treatment of fails-to-receive. As stated in the preambles of both the proposed and final large position rules (60 FR 65219, December 18, 1995 and 61 FR 48345, September 12, 1996, respectively), a position that remains unsettled after its scheduled settlement date (the term "settlement" has the same meaning as "clearance" in this document) is not included in the net trading position computation. Thus, for the computation as of *day one*, the \$40 sale is included in the net trading position computation by being subtracted from the \$100 long position. However, for the computation as of day two, the \$40 sale, which is now failing, must be removed from the net trading position (which causes the net trading position to revert to \$100) and included in the computation of the net fails position as a fail-to-deliver. This is because the past settlement date sale, unlike the forward settling sale position in day one, does not reduce the size of the net trading position. For purposes of the large position rules, net forward settling positions include next-day settling positions. Additionally, since there are no fails-to-receive in this example, the net fails position computation would be $\$0 - \$40 = -\$40$. Whenever the net fails position computation is equal to or less than zero, zero is entered as the net fails position.

3.4.2) What is the treatment of fail financings in the large position report?

Note: For purposes of the following answers, the only activity for the security issue is the transaction described, and par is equal to \$100. Also, Line 3 Net Fails Position equals fails to receive less fails to deliver. If the difference is equal to or less than zero, report 0 (see section 420.2(e) of the large position rules). In general, forward reverse repos and forward repos are treated the same as reverse repos and repos whose opening legs settle on trade date. The primary difference is the date on which fails are reported (see answers below).

Reverse Repurchase Transactions. Firm A enters into a reverse repurchase transaction with same-day settlement, which is also the date for which Treasury requires positions to be calculated for a large position report. Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$100
Line 3 Net Fails Position	\$0

However, if Firm A fails to receive the security at the end of the day of the initiation (opening leg) of the reverse repo, Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$100*

* (100 - 0 = 100). For forward reverse repos, this entry would be made for positions to be computed as of the settlement date of the opening leg.

On the settlement date of the termination (closing leg) of the reverse repo, Firm A fails to deliver the securities that were received at the initiation of the transaction. This is also the date for which Treasury requires positions to be calculated for a large position report. Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$0*
* (0 - 100 = -100)	

Repurchase Transactions. Firm A enters into a repurchase transaction with same-day settlement, which is also the date for which Treasury requires positions to be computed for a large position report. Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$0
Memorandum	\$100

However, if Firm A fails to deliver the security at the end of the day of the initiation of the repo, Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$0*

* (0 - 100 = -100). For forward repos, this calculation would be made for positions to be computed as of the settlement date of the opening leg.

Memorandum	\$0
------------	-----

On the settlement date of the termination of the repo, Firm A fails to receive the securities that were delivered at the initiation of the transaction. This is also the date for which Treasury requires positions to be computed for a large position report. Firm A would report the following:

Line 1 Net Trading Position	\$0
Line 2 Gross Financing Position	\$0
Line 3 Net Fails Position	\$100*
* (100 - 0 = 100)	

[Return to questions](#)

4) SECTION 420.4 - RECORDKEEPING

4.1) If a reporting entity was not required to send a letter to Treasury stating that it had or would have in place a recordkeeping system enabling it to meet the requirements of the rule, is it required to have a recordkeeping system in place by March 31, 1997? What about after March 31, 1997?

If a reporting entity determined that it did not control a position of \$2 billion or more in a Treasury security during the period December 11, 1994 - December 11, 1996, and thus was not required to send a

letter to Treasury, it is not subject to the large position recordkeeping rules when they become effective March 31, 1997. However, if a reporting entity were to control such a position after March 31, 1997, it (and certain of its aggregating entities) would become immediately subject to the full range of large position recordkeeping rules. Therefore, a reporting entity must take reasonable steps to have in place a process to ensure that it can determine whether, subsequent to March 31, 1997, it controls a position of \$2 billion or more in any recently-issued Treasury security (e.g., a process for monitoring its aggregate positions).

4.2) Would a reporting entity that is subject to the large position rules fall out of the recordkeeping requirements if it did not control a position equal to or greater than the minimum large position threshold (\$2 billion) for an extended period (e.g., one year)?

No, once a reporting entity becomes subject to the large position recordkeeping rules, it must continue to make and maintain the required records even if it did not reach the \$2 billion large position threshold for an extended period of time.

4.3) If funds, investment companies, or other entities are aggregated within a reporting entity, and such reporting entity is subject to the recordkeeping requirements of the rules, must the funds, investment companies, or other entities follow the recordkeeping rules also?

If the funds, investment companies, or other entities do not have investment discretion (e.g., if the authority to make and execute decisions regarding buying, selling, or retaining securities resides with another entity, such as their investment adviser), they are not deemed to have control of securities under the large position rules. In such cases, it is the responsibility of the entity that has control of the securities (i.e., the reporting entity), not such aggregating entities, to adhere to the recordkeeping requirements of the rules. The reporting entity's records must include information concerning all securities for which it exercises investment discretion, including the securities owned by other entities.

4.4) An entity (such as a hedge fund, pension fund, or insurance company) is not subject to federal securities recordkeeping rules but is required to follow the recordkeeping requirements of the large position rules (section 420.4(c)). Is it permissible for such an entity to have a third party make and maintain its records, including making and maintaining the records at another location?

Yes, such an entity may have its records made by, and kept at, a third party, including a third party that makes and maintains the records at another location (e.g., the offices of an entity's prime or clearing broker-dealer). However, the entity that is subject to the recordkeeping rules, not the third party that has been contracted to make and maintain the records, remains responsible for compliance with such rules.

4.5) Regarding the requirement to retain large position records for either 3 or 6 years, depending on the type of record, does the time frame apply from the date Treasury requests a large position report?

No, the records retention or preservation requirements in sections 420.4(b) and (c) apply from the date that a transaction is effected and the related records are created, not from the date that Treasury requests large position reports for a specific security. Assuming an entity that became subject to the large position recordkeeping rules on March 31, 1997 conducted transactions in recently-issued Treasury securities on that date, the time frame for the preservation of records would have begun on March 31.

[Return to questions](#)

5) APPENDIX A TO PART 420 - SEPARATE REPORTING ENTITY

5.1) Does an entity qualify as a separate reporting entity without having to request such status if it already has received recognition as a separate bidder for purposes of Treasury auctions?

Yes, an entity that receives recognition as a separate bidder for auction purposes is also recognized as a separate reporting entity without having to request this status. However, the entity must maintain procedures (i.e., Chinese walls) to prevent the exchange of information related to secondary market transactions in Treasury securities, not just auction-related transactions, with any other aggregating entity.

5.2) Conversely, does such an entity qualify as a separate bidder for auction purposes without requesting such status if the entity has already received recognition as a separate reporting entity for purposes of the large position rules?

No, the process does not work in the reverse direction. Therefore, an entity that would like recognition as a separate reporting entity may want to consider requesting recognition as a separate bidder for auction purposes and, if granted, automatically obtain separate reporting entity recognition at the same time.

5.3) Where a reporting entity consists of more than one aggregating entity, is each aggregating entity that requests recognition as a separate reporting entity required to send a separate written letter to Treasury?

No, more than one request may be contained in a letter. However, the required information for each request, such as the certification, should be provided separately for each requested reporting entity in the letter.

5.4) Can organizational components that are not separate legal entities be carved out as separate reporting entities?

Yes, since organizational components (e.g., bank trust departments) fall within the definition of "aggregating entity," they may be recognized as separate reporting entities. As is the case with separate bidder recognition in the auctions, organizational components are not required to be distinct legal entities.

[Return to questions](#)

6) APPENDIX B TO PART 420 - SAMPLE LARGE POSITION REPORT

6.1) When submitting a large position report, is there a specific form that must be used? What information must be submitted?

No, there is no specific form that is required. Rather than mandating a specific form, Treasury permits reporting entities to develop their own large position reports, provided that the reports contain all of the required information as detailed in the rules. It is suggested that the following sample be used as a guide. Market participants are advised to carefully read the rules to ensure that all the required information is reported correctly. Failure to include any of the required information, including administrative information, in the large position report will constitute non-compliance with the rules.

6.2) Can an individual sign a large position report as the authorized official if he/she does not have one of the specific titles listed in the rules?

Yes, such an individual may sign a large position report as long as he or she is the functional equivalent (i.e., has equivalent authority or responsibilities) of one of the officials listed in the rules. For example, an entity's treasurer may sign the report in lieu of a chief financial officer if he or she acts as the entity's top decision-maker regarding the entity's financial matters.

6.3) Sample Large Position Report

Formula for Determining a Reportable Position
(\$ Amounts in millions at par value as of trade date)

Security Being Reported: _____
Date For Which Information is Being Reported: _____

1. Net Trading Position \$ _____
 (Total of cash/immediate net settled positions; net when-issued positions; net forward positions, including next day settling; net futures contracts that require delivery of the specific security; and net holdings of STRIPS principal components of the security.)
2. Gross Financing Position + \$ _____
 (Total of securities received through reverse repos (including forward settling reverse repos), bonds borrowed, collateral for financial derivative transactions and for other securities transactions which total may be reduced by the optional exclusion described in § 420.2(c).)
3. Net Fails Position + \$ _____
 (Fails to receive less fails to deliver. If equal to or less than zero, report 0.)
4. TOTAL REPORTABLE POSITION = \$ _____

Memorandum: Report one total which includes the gross par amounts of securities delivered through repurchase agreements, securities loaned, and as collateral for financial derivatives and other securities transactions. Not to be included in item #2 (Gross Financing Position) as reported above.

\$ _____

6.4) 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):

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: (i) that the information contained in this report with regard to any other aggregating entities is accurate and complete; and (ii) that the reporting entity, including all aggregating entities, is in compliance with the requirements of 17 CFR Part 420."

Signature of Authorized Person Named Above:

[Return to questions](#)

Bureau of the Public Debt
 Government Securities Regulations Staff

Government Securities Act of 1986

More Questions and Answers Relating to Treasury's Large Position Recordkeeping and Reporting Rules

April 11, 1997

Treasury is providing additional Questions and Answers (Qs & As) relating to its large position recordkeeping and reporting rules. We will periodically update this site with new Qs and As based on inquiries we receive, so check out this site occasionally for new information.

A list of the new questions appears in the historical area, and each new question in the list has been hypertexted to take you to that question and answer in the updated set of Qs & As. This will help you to find any updates made since your last version. Each new question has been numbered and inserted into the appropriate section of the original document.

List of Questions added on April 11, 1997

3.2) Net Trading Position - Futures Contracts

3.2.1) Are futures contracts to be included in the computation of the net trading position if securities designated as "cheapest to deliver" are specified for delivery to close out the contract?

3.4) Net Fails Position

3.4.1) What is the treatment of fails in the large position report?

3.4.2) What is the treatment of fail financings in the large position report?

4.5) Regarding the requirement to retain large position records for either 3 or 6 years, depending on the type of record, does the time frame apply from the date Treasury requests a large position report?

Updated April 21, 1997