

**Supporting Statement for the
Government Securities Dealers Reports
(FR 2004; OMB No. 7100-0003)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Government Securities Dealers Reports (FR 2004; OMB No. 7100-0003). This information collection is comprised of the:

- Weekly Report of Dealer Positions (FR 2004A),
- Weekly Report of Cumulative Dealer Transactions (FR 2004B),
- Weekly Report of Dealer Financing and Fails (FR 2004C),
- Weekly Report of Specific Issues (FR 2004SI),
- Daily Report of Specific Issues (FR 2004SD),
- Supplement to the Daily Report of Specific Issues (FR 2004SD ad hoc),¹
- Daily Report of Dealer Activity in Treasury Financing (FR 2004WI),
- Settlement Cycle Report of Dealer Fails and Transaction Volumes: Class A (FR 2004FA),
- Settlement Cycle Report of Dealer Fails and Transaction Volumes: Class B (FR 2004FB),
- Settlement Cycle Report of Dealer Fails and Transaction Volumes: Class C (FR 2004FC), and
- Settlement Cycle Report of Dealer Fails and Transaction Volumes (FR 2004FM).

The Federal Reserve Bank of New York (FRBNY), on behalf of the Federal Reserve System, collects data from primary dealers in the U.S. government securities market. Filing of these data is required to obtain the benefit of primary dealer status. The Federal Reserve uses these data to (1) monitor the condition of the U.S. government securities market in its Treasury market surveillance and analysis of the market and (2) assist and support the U.S. Department of the Treasury (Treasury) in its role as fiscal agent for Treasury financing operations. In addition, these data are used in the analysis of broad financial conditions and a range of financial stability issues.

The Board proposes to revise the FR 2004 with four additions and two modifications by:

¹ Certain criteria apply to information collections conducted via the Board's ad hoc clearance process. Such information collections shall (1) be vetted by the Board's clearance officer, as well as the Division director responsible for the information collection, (2) display the OMB control number, (3) inform respondents that the information collection has been approved, (4) be used only in such cases where response is voluntary, (5) not be used to substantially inform regulatory actions or policy decisions, (6) be conducted only and exactly as described in the OMB submission, (7) involve only noncontroversial subject matter that will not raise concerns for other Federal agencies, (8) include information collection instruments that are each conducted only one time, (9) include a detailed justification of the effective and efficient statistical survey methodology (if applicable), and (10) collect personally identifiable information (PII) only to the extent necessary (if collecting PII, the form must display current Privacy Act notice). In addition, for each information collection instrument, respondent burden will be tracked and submitted to the OMB.

- (1) adding a row to the FR 2004A, B, SI, SD, and WI to account for the new 20 year Treasury bond,
- (2) adding a row to the FR 2004A and two rows to FR 2004B to separately capture Mortgage-Backed Securities (MBS) To-Be-Announced (TBA) and specified pool classifications,
- (3) adding 18 columns to the FR 2004C to capture a split by clearing venue, with maturity tenor applied to each venue classification,
- (4) adding 5 lines to the FR 2004C to separately capture Federal Agency and Government-Sponsored Enterprise (GSE) Residential MBS and Federal Agency and GSE Commercial MBS, and to separate Total lines for Repo and Other Financing Activities,
- (5) revising the FR 2004FA, FB, and FM to capture Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) Uniform MBS (UMBS) and FNMA non-UMBS eligible securities settlement fails and transactions, separate from FHLMC non-UMBS eligible securities settlement fails and transactions, and
- (6) modifying the instructions to provide additional guidance on report consolidation rules for primary dealers when the legal entity serving as a primary dealer is a branch or agency of a foreign banking organization (FBO) as well as some other minor corrections and edits for improved clarity.

Proposed revisions will be effective starting with the July 2021 as of date.

The current estimated total annual burden for the FR 2004 is 23,473 hours, and would increase to 24,721 hours. The proposed revisions would result in an increase of 1,248 hours. The draft forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

Background and Justification

In the early 1960s, the Federal Reserve began collecting data on positions, transactions, and financing activity from U.S. securities dealers, primarily those with whom it traded. The main purposes of these data were to (1) give the Federal Open Market Committee information on the condition of the U.S. Treasury securities market and (2) permit an appraisal of the position risk of reporting dealers, the soundness of their trading practices, and the adequacy of their market making in all segments of the market. During the 1970s, market practices changed in a number of important ways as U.S. government securities dealers became involved in the trading and positioning of futures and options and also substantially broadened their participation in the repurchase agreement market. In response to these developments, in 1979, the Joint Treasury-Federal Reserve Steering Committee (Joint Steering Committee) asked staff members from the Treasury, the FRBNY, and the Board to modify and expand the reporting forms. In early 1980, after consultations with individual dealers and the Bond Market Association, the Joint Steering Committee approved substantial changes to the reports.

In 1990, substantial changes were made to the reporting forms to meet the Treasury's capital adequacy rules that were adopted in 1987 and the Government Securities Act of 1986, both of which required continuous capital adequacy compliance. In addition, overall coverage of

the reports was improved and these data were more closely aligned to information collected by the U.S. Securities and Exchange Commission (SEC) and the Treasury. At the same time, reporting burden was reduced considerably.

In January 1992, the Federal Reserve, the Treasury, and the SEC submitted to the Congress the *Joint Report on the Government Securities Market*. As part of the joint agency report, the FRBNY assumed primary responsibility for the daily Treasury market surveillance of the U.S. government securities market. Also announced in the report was the elimination of the FRBNY's dealer Treasury market surveillance activities and, consequently, so were certain reporting requirements. At the next scheduled review in 1994, several data items on the FR 2004A, B, and C reporting forms were either combined or eliminated and the FR 2004SI was introduced to collect some of the information formerly collected on the addendum sections of the FR 2004A and B. In addition, the FR 2004WI reporting form was revised.

Substantial changes were made to the reporting forms in 2001. Generally, the changes captured information on a broader range of primary dealers' activities in fixed income markets and also eliminated data items that were no longer seen as useful. In the late 1990s, the government securities market underwent notable changes in the face of large budget surpluses. As the supply of Treasury securities declined and trading activity in the market diminished somewhat, primary dealers began to take relatively greater positions in private securities and to generally assume a larger role as "market makers" in corporate debt markets. The addition of data items to collect information on primary dealers' positions in corporate securities allowed better monitoring of these developments. The revisions also included a change in maturity classifications that provided more detail and more closely aligned with the classification schedule employed by primary dealers in managing their operations. Data items for futures and options were deleted and the financing data items were collapsed into the broad categories of Securities In and Securities Out. Lastly, memoranda items were added to obtain more detail on repurchase agreements and to track their cumulative volume and average rates.

The FRBNY is the collector and user of the dealer data because of its responsibility for conducting the Federal Reserve's open market operations, its Treasury market surveillance responsibility, and its advisory responsibilities to the Treasury. The FRBNY uses these data in gauging market conditions and dealer positions while the Treasury uses these data in managing its marketable debt. The Board also uses these data in conjunction with its ongoing responsibility to monitor and analyze developments in the government securities markets. Such data can be useful for identifying changing market practices. The aggregate dealer data (for the FR 2004A, B, C, SI, FA, FB, FC, and FM) can be obtained by the Treasury, since the reporting dealers play a central role in underwriting and distributing the Treasury's debt. The Interagency Working Group (IAWG)² uses the data from the FR 2004SI, SD, and WI for Treasury market surveillance.

Description of Information Collection

The FR 2004 consists of the following 11 individual report forms:

² This group consists of staff from the FRBNY, Board, Treasury, SEC, and Commodity Futures Trading Commission.

1. The FR 2004A collects weekly data on dealers' outright positions in Treasury and other marketable debt securities.
2. The FR 2004B collects cumulative weekly data on the volume of transactions made by dealers in the same instruments for which positions are reported on the FR 2004A.
3. The FR 2004C collects weekly data on the amounts of dealer financing and fails.
4. The FR 2004SI collects weekly data on position, transaction, financing, and fails for the most recently issued on-the-run Treasury securities (the most recently issued Treasury securities for each maturity class).
5. When unusual trading practices occur for a specific security, this information can be collected on a daily basis on the FR 2004SD for either on-the-run Treasury securities or off-the-run Treasury securities.
6. The FR 2004SD ad hoc collects up to 10 ad hoc data items during instances when critical information for additional Treasury market surveillance is required.
7. The FR 2004WI collects daily data on positions in to-be-issued Treasury coupon securities, mainly the trading on a when-issued delivery basis.
8. The FR 2004FA reports Class A Agency and GSE TBA and specified pool fails to receive, fails to deliver, outright transactions, and dollar roll transactions that occurred on the Class A settlement as-of date only.
9. The FR 2004FB reports Class B Agency and GSE TBA and specified pool fails to receive, fails to deliver, outright transactions, and dollar roll transactions that occurred on the Class B settlement as-of date only.
10. The FR 2004FC reports Class C Agency and GSE TBA and specified pool fails to receive, fails to deliver, outright transactions, and dollar roll transactions that occurred on the Class C settlement as-of date only.
11. The FR 2004FM reports Agency and GSE TBA and specified pool fails to receive and fails to deliver for Class A, B, and C securities that are outstanding at close of business on the last business date of the month. The FR 2004FM also reports Agency and GSE TBA and specified pool cumulative outright transactions and cumulative dollar roll transactions for Class A, B, and C securities that occurred in the reporting month.

Frequency

The frequency associated with each report (described in the Time Schedule for Information Collection section) allows the Federal Reserve to (1) monitor certain technical developments in the U.S. government securities market for its own purposes, in relation to open market operations, and in its role in the IAWG and (2) fulfill its responsibilities as fiscal agent for the Treasury. It also aids the Federal Reserve and the general public in assessing developments in other fixed income markets, including the interplay between different asset classes.

Respondent Panel

The panel consists of all primary government security dealers. Any dealer that would like to become a primary dealer would be required to submit these data. Currently, there are 24 primary dealers.

Proposed Revisions to the FR 2004

The Board proposes to revise several of the reporting forms, as follows:

1. FR 2004A – Add two rows to collect data on gross positions for Treasury coupon bonds due in more than 11 years but less than or equal to 21 years and Treasury coupon bonds due in more than 21 years, beginning with the July 7, 2021, as of date. Also, delete an existing row to collect data on gross positions for Treasury coupons bonds “due in more than 11 years.” Additionally, add a row to collect Federal Agency and GSE Residential Pass-through MBS TBAs separately from Specified pools.
2. FR 2004B – Mirroring the changes on the FR 2004A, add two rows to collect data on outright transactions of Treasury coupon bonds due in more than 11 years but less than or equal to 21 years and Treasury coupon bonds due in more than 21 years, and delete an existing row for Treasury coupon securities due in more than 11 years, beginning with the July 7, 2021, as of date. Additionally, add two rows to separately collect Federal Agency and GSE Residential Pass-through MBS TBAs transactions from Specified Pool transactions, with each further broken down into the existing cash/dollar roll splits.
3. FR 2004C – For each asset category, add a split by clearing/settlement venue: Uncleared Bilateral – Specified and General; Cleared Bilateral – Specified, General, and Sponsored; GCF; and Triparty (excluding GCF). Add eighteen columns for current tenor breakdown to be applied to each column. Add five rows to capture securities financing activity for Federal Agency and GSE Residential MBS separately from Federal Agency and GSE Commercial MBS and to separate “Total Repo” from “Total Other Financing Activity.”
4. FR 2004SI – Add an additional row to separately collect transactions, net positions, financing arrangements, and settlement fails for the 20 year Treasury bond, beginning with the July 7, 2021, as of date.
5. FR 2004SD – Add an additional row to separately collect transactions, net positions, financing arrangements, and settlement fails for the 20 year Treasury bond, beginning with the July 7, 2021, as of date.
6. FR 2004WI – Add a row to separately collect data on net positions, forward financing commitments, and outright transactions for new or re-opened 20 year Treasury bonds trading in the when-issued market, beginning with the July 7, 2021, as of date.
7. FR 2004FA – The FHLMC and FNMA implemented the Single Security Initiative in June 2019. This action created a new uniform mortgage-backed security (UMBS) to be issued and guaranteed by either FNMA or FHLMC, to be backed by fixed-rate 30-, 20-, 15-, or 10-year single-family mortgage loans. To reflect this structural market change, modify the column headings for columns 1 and 2 for all sections of the report form from “FNMA” to “FNMA/FHLMC UMBS,” beginning with the July 2021 as of date. Modify the column headings for columns 3 and 4 for all sections of the report form from “FHLMC” to “FHLMC (non-UMBS),” beginning with the July 2021 as of date.
8. FR 2004FB – Mirroring the changes on the FR 2004FA, modify the column headings for columns 1 and 2 for all sections of the report form from “FNMA” to “FNMA/FHLMC UMBS,” effective with the July 2021 as of date. Modify the column headings for columns 3 and 4 for all sections of the report form from “FHLMC” to “FHLMC (non-UMBS),” beginning with the July 2021 as of date.
9. FR 2004FM - Modify the column headings for columns 1 and 2 for all sections of the report form from “FNMA” to “FNMA/FHLMC UMBS,” beginning with the July 30,

2021, as of date. Modify the column headings for columns 3 and 4 for all sections of the report form from “FHLMC” to “FHLMC (non-UMBS),” beginning with the July 30, 2021, as of date.

10. Revise the instructions to provide additional guidance on report consolidation rules for primary dealers when the legal entity serving as a primary dealer is a branch or agency of an FBO.

Time Schedule for Information Collection

All respondents submit their data electronically to the FRBNY. The FR 2004A, B, C, and SI are submitted weekly. The FR 2004A and SI collect positions data as of Wednesday, and these data are reported the next business day. Under certain circumstances, the FR 2004SD collects positions daily, and these data are reported the next week. The FR 2004SD ad hoc collects daily ad hoc information, and these data reported the next week. The FR 2004B collects cumulative transactions for the calendar week ended Wednesday, and these data are reported the next business day. The FR 2004C collects outstanding financing arrangements and fails as of Wednesday, and these data are reported the next business day. The FR 2004WI collects closing positions, transactions, and net forward financing commitments of the previous business day during each day of the when-issued period, with the last report due on issue date for the business day prior.³ The FR 2004FA, FB, FC, and FM are collected once per month, one for each class settlement date and one for the last business day of the month, and are due to the FRBNY the next business day.

Public Availability of Data

Summary data from FR 2004A, B, C, and SI are published each Thursday and summary data from FR 2004FA, FB, FC, and FM are published monthly in an FRBNY statistical release. These summaries can be obtained from <https://www.newyorkfed.org/markets/primarydealers>. The data are published with at least an eight-day lag. The FRBNY also publishes summary statistics on concentrations of market share from the FR 2004B data on a quarterly basis, with a two-week lag. Data from the FR 2004SD, SD ad hoc, and WI are not available to the public. They are collected for Treasury market surveillance purposes exclusively and are considered strictly confidential. However, all individual respondent data are available to the IAWG.

Legal Status

The information collected on the FR 2004 series of reports is generally authorized under sections 2A, 12A(c), 14, and 15 of the Federal Reserve Act. Section 2A requires that the Board and the Federal Open Market Committee “maintain long run growth of the monetary and credit aggregates commensurate with the economy’s long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates” (12 U.S.C. § 225a). Section 12A(c) further provides that the time, character, and volume of open market operations “shall be governed with a view to accommodating commerce

³ The “when-issued period” for a security extends from the time the security is announced to the time it is issued. FR 2004WI data are collected from the date of Treasury’s announcement through the business day before the issue date. Treasury supplies a schedule of issues to be announced.

and business and with regard to their bearing upon the general credit situation of the country” (12 U.S.C. § 263(c)). Additionally, section 14 authorizes the Federal Reserve Banks to engage in open market operations (12 U.S.C. §§ 353-359). Finally, section 15 permits the Federal Reserve Banks, at the direction of the Secretary of the Treasury, to act as fiscal agents of the United States (12 U.S.C. § 391). The Board has implicit authority to collect data to carry out the requirements of the foregoing statutory provisions.⁴ Filing the FR 2004 series is a condition of obtaining and retaining primary dealer status. Thus, the obligation to respond is “required to obtain or retain a benefit” because being a primary dealer allows a firm to act as a trading counterparty of the FRBNY in the implementation of its monetary policy.⁵

While aggregate data from certain of the forms in the FR 2004 series will be published, individually identifying information can be kept confidential under exemption 4 and, in certain circumstances, exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. §§ 552(b)(4) and (b)(8)). Individual respondent data collected through the FR 2004 are considered confidential because these responses contain nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, pursuant to exemption 4 of FOIA. Moreover, to the extent that the information is “contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of [the Board],” the information may be withheld by the Board under exemption 8.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On December 14, 2020, the Board published an initial notice in the *Federal Register* (85 FR 80786) requesting public comment for 60 days on the extension, with revision, of the FR 2004. The comment period for this notice expires on February 12, 2021.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2004 is 23,473 hours, and would increase to 24,721 hours with the proposed revisions. The estimated average hours per response for the FR 2004C would increase from 3.1 hours to 4.1 hours. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

⁴ Additionally, depending upon the survey respondent, a more precise statute may authorize the data collection. For example, the Board is authorized to collect information from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(c)) and from depository institutions under section 11(a) of the Federal Reserve Act (12 U.S.C. § 248(a)).

⁵ See 5 C.F.R. § 1320.8(b)(3)(iv).

| FR 2004 | <i>Estimated number of respondents⁶</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|------------------|--|-------------------------|---|--------------------------------------|
| Current | | | | |
| FR 2004A | 24 | 52 | 3.0 | 3,744 |
| FR 2004B | 24 | 52 | 3.7 | 4,618 |
| FR 2004C | 24 | 52 | 3.1 | 3,869 |
| FR 2004SI | 24 | 52 | 2.2 | 2,746 |
| FR 2004SD | 24 | 40 | 2.2 | 2,112 |
| FR 2004SD ad hoc | 24 | 26 | 2.0 | 1,248 |
| FR 2004WI | 24 | 160 | 1.0 | 3,840 |
| FR 2004FA | 24 | 12 | 1.0 | 288 |
| FR 2004FB | 24 | 12 | 1.0 | 288 |
| FR 2004FC | 24 | 12 | 1.0 | 288 |
| FR 2004FM | 24 | 12 | 1.5 | <u>432</u> |
| | <i>Current Total</i> | | | 23,473 |
| Proposed | | | | |
| FR 2004A | 24 | 52 | 3.0 | 3,744 |
| FR 2004B | 24 | 52 | 3.7 | 4,618 |
| FR 2004C | 24 | 52 | 4.1 | 5,117 |
| FR 2004SI | 24 | 52 | 2.2 | 2,746 |
| FR 2004SD | 24 | 40 | 2.2 | 2,112 |
| FR 2004SD ad hoc | 24 | 26 | 2.0 | 1,248 |
| FR 2004WI | 24 | 160 | 1.0 | 3,840 |
| FR 2004FA | 24 | 12 | 1.0 | 288 |
| FR 2004FB | 24 | 12 | 1.0 | 288 |
| FR 2004FC | 24 | 12 | 1.0 | 288 |
| FR 2004FM | 24 | 12 | 1.5 | <u>432</u> |
| | <i>Proposed Total</i> | | | 24,721 |
| | <i>Change</i> | | | 1,248 |

The estimated total annual cost to the public for the FR 2004 is \$1,355,566, and would increase to \$1,427,638 with the proposed revisions.⁷

⁶ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$41.5 million in average annual receipts), <https://www.sba.gov/document/support--table-size-standards>.

⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$71, 15% Lawyers at \$70, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2019*, published March 31, 2020, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost of collecting and processing these data falls entirely on the FRBNY. The current estimated cost to the FRBNY for collecting and processing the FR 2004 is \$700,000 per year.