Supporting Statement for the
Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting
Requirements
(FR 2956; OMB No. 7100-NEW)

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to implement the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-NEW). The proposed FR 2956 collection would collect detailed data on depository institutions’ daily transactions trading of marketable U.S. Treasury securities and transactions trading of the debt and mortgage-backed securities (MBS) issued by U.S. federal government agencies including government-sponsored enterprises (agencies). Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Notice of Government Securities Broker or Government Dealer Activities Form (From G-FIN; OMB No. 7100-0224) with average daily transaction volumes of over $100 million, for U.S. Treasury debt, or over $50 million, for agency-issued debt and MBS, during the prior fiscal year would be subject to the proposed reporting requirements. Depository institutions subject to the reporting requirements of the proposed FR 2956 would electronically report transactions through the Board’s data collection vendor, the Financial Industry Regulatory Authority (FINRA), utilizing its Trade Reporting and Compliance Engine (TRACE).

The estimated total annual burden for the FR 2956 is 16,500 hours. While there is not a formal reporting form, detailed instructions on how to report, along with a link to TRACE, would be available on the Board’s public website at http://www.federalreserve.gov/apps/reportforms/default.aspx.

Background and Justification

The U.S. Treasury securities market is the deepest and most liquid government securities market in the world. It plays a critical and unique role in the global economy, serving as the primary means of financing the U.S. federal government, a significant investment instrument and hedging vehicle for global investors, a risk-free benchmark for other financial instruments, and an important market for the Federal Reserve’s implementation of monetary policy. Treasury securities are traded by broker-dealers that are registered with the U.S. Securities and Exchange Commission (SEC) and are members of FINRA as well as by commercial bank dealers and principal trading firms (PTFs) that are not registered as broker-dealers with the SEC or members of FINRA. Several agencies under a range of authorities are responsible for regulating various components of the Treasury securities market and its participants.
On October 15, 2014, the market for Treasury securities experienced an unusually high level of volatility and a rapid decline and recovery in prices. In response to this unexpected occurrence, an existing interagency working group comprised of staff from the U.S. Treasury Department, the Board, the Federal Reserve Bank of New York, the SEC, and the U.S. Commodity Futures Trading Commission (collectively, the “Joint Staffs”) analyzed both the conditions contributing to the events on October 15 and the general structure of the Treasury securities market. The Joint Staffs issued a report (JSR) on July 13, 2015, that detailed preliminary findings regarding the October 15 volatility, described important characteristics of the current structure of the Treasury securities market, and included a proposed series of four “next steps” in understanding the evolution of the Treasury securities market. One of the “next steps” in the JSR was to assess the data available to the public and to the official sector on the U.S. Treasury cash securities market.

Following publication of the JSR, the Treasury Department published a request for Information (RFI) on January 22, 2016, seeking public comment on structural changes in the U.S. Treasury market and their implications for the depth, liquidity, and functioning of the market.1 One stated intent of the RFI was to develop a holistic view of trading and risk management practices across U.S. Treasury futures and cash markets. The RFI noted that due to market evolution “access to timely and comprehensive data across related markets is increasingly important” and the Treasury Department is “interested in the most efficient and effective ways for the official sector to obtain additional market data and in ways to more effectively monitor diverse but related markets.”2 As part of those efforts, and following receipt of comments on the RFI, the Treasury Department and SEC announced they were requesting that FINRA “consider a proposal to require its member brokers and dealers to report Treasury cash market transactions to a centralized repository.”3 In July 2017, FINRA subsequently began collecting from its members’ Treasury market transactions data on TRACE, the same reporting platform FINRA uses to collect transactions in corporate debt and agency mortgage-backed debt securities. The Treasury Department also stated it “will continue working with other [federal] agencies to develop a plan for collecting similar data from institutions who actively trade U.S. Treasury securities but are not FINRA members.”4

This proposed FR 2956 is a product of the continued efforts by the Treasury Department and the Board to explore efficient and effective ways of collecting comprehensive Treasury market transaction information from depository institutions subject to the Board’s reporting requirements. Collecting this information from depository institutions that are not FINRA members but that are active in the Treasury market would allow a more complete analysis of the Treasury trading data and could help identify and address potential anomalies in the market for Treasury securities. This would help the Board and the Federal Open Market Committee

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1 See 81 FR 3928 (January 22, 2016).
2 Id. at 3929.
(FOMC) understand frictions and disruptions in the market that would affect the implementation of monetary policy.

In connection with these efforts, the Board has analyzed the issue of whether it should also require depository institutions to report data for market transactions for debt and MBS issued by U.S. government agencies. Along with Treasury securities and excess reserves, agency debt and MBS are included as high-quality liquid assets, and these securities play a key role in housing finance, one of the more interest-rate sensitive sectors of the U.S. economy and an important channel of monetary policy transmission. Collecting this transaction data could help the Board and FOMC better monitor and interpret fluctuations in supply and demand as well as interest rate movements in these key credit aggregates. This information is not available from other sources.

Description of Information Collection

The proposed FR 2956 would collect detailed data on depository institutions’ daily transactions of marketable U.S. Treasury securities and of the debt and MBS issued by U.S. agencies.

The report would have two parts. Part 1 would collect data on transactions in U.S. Treasury debt. Part 2 would collect transactions in debt and MBS issued by agencies.

Depository institutions subject to the reporting requirements of the proposed FR 2956 would report transactions through the Board’s data collection vendor, FINRA, utilizing TRACE. Each reporting depository institution would need to comply with the TRACE technical specifications and requirements necessary for reporting the required transactions.

The following depository institutions would be subject to reporting requirements on the proposed FR 2956 daily on every government securities trading day:

a. Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Notice of Government Securities Broker or Government Securities Dealer Activities (Form G-FIN; OMB No. 7100-0224) with an average of dollar volumes of transactions in U.S. Treasury debt above $100 million per day over the period from October 1 of the previous year through September 30 of the current year. Entities meeting this threshold would report Part 1 of the proposed FR 2956.

b. Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Notice of Government Securities Broker or Government Securities Dealer Activities (Form G-FIN; OMB No. 7100-0224) with an average of dollar volumes of transactions in debt and MBS issued by agencies above $50 million per day over the period from October 1 of the previous year through September 30 of the current year. Entities meeting this threshold would report Part 2 of the proposed FR 2956.
Prime brokers or depository institutions who file Form G-FIN and are FINRA members acting as an executing broker and that therefore already are subject to TRACE reporting pursuant to FINRA rules are exempt from this reporting requirement.

**Part 1: U.S. Treasury Securities Transaction Reporting**

The following reporting requirements would apply to all marketable U.S. Treasury Securities, including Treasury bills, notes, floating rate notes, bonds, inflation-protected securities (“TIPS”), and Separate Trading of Registered Interest and Principal Securities (“STRIPS”). Transactions in U.S. Treasury securities that are not related to the original auction award from Treasury must be reported, including transactions executed before the auction and issuance of a security. Auction awards themselves should not be reported.

i. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE system hours.5

ii. Transactions executed on a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later than the next business day (T+1) during TRACE system hours, and, if reported T+1, designated “as/of” and include the date of execution.

iii. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time—or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time)—must be reported the next business day (T+1) during TRACE system hours, designated “as/of”, and include the date of execution.

**Part 2: Agency Debt Securities and Agency Mortgage-Backed Securities**

The following requirements would apply to all transactions in Agency Debt Securities and Agency MBS.6

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5 TRACE system hours means the hours the TRACE system is open, which are 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.

6"Agency Debt Security" means a debt security (i) issued or guaranteed by an Agency; or (ii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security covered in Part 1 and any securitized product collateralized by a mortgage, lease, or other financial asset that may be issued by an Agency. Except as otherwise specifically provided in paragraph (a)(2) through paragraph (a)(4), transactions in TRACE-Eligible Securities must be reported as provided in this paragraph (a)(1).

"Agency Mortgage-Backed Security" (Agency MBS) means a type of security issued in conformity with a program of an Agency, for which the timely payment of principal and interest is guaranteed by the Agency, and collateralized by a pool (or pools) of mortgage loans. Agency MBS also includes SBA-Backed ABS and Collateralized Mortgage Obligations (CMO) as defined in FINRA Rule 6710.
(A)(1) Except as otherwise specifically provided in paragraph (A)(2) through paragraph (A)(3), below, transactions must be reported as provided in this paragraph (A)(1):

i. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 15 minutes after the TRACE system opens.

ii. Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution.

iii. Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 15 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

iv. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1), no later than 15 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

(A)(2) Except as provided in paragraphs B, C, and D, below, transactions in collateralized debt obligations (CDOs) and commercial mortgage-backed securities (CMBS) executed on:

i. a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours;

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"Agency" means a U.S. "executive agency" as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security issued by another entity. The term includes a Government-Sponsored Enterprise and excludes the U.S. Department of the Treasury ("Treasury") in the exercise of its authority to issue U.S. Treasury Securities as defined in Part 1.

"Government-Sponsored Enterprise" (GSE) has the same meaning as defined in 2 U.S.C. 622(8).

"SBA-Backed ABS" means a Securitized Product issued in conformity with a program of the Small Business Administration ("SBA"), for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans or debentures and structured to "pass through" the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis.

7 A CMO is a type of Securitized Product backed by Agency Pass-Through Mortgage-Backed Securities, mortgage loans, certificates backed by project loans or construction loans, other types of mortgage-backed securities or assets derivative of mortgage-backed securities, structured in multiple classes or tranches with each class or tranche entitled to receive distributions of principal and/or interest according to the requirements adopted for the specific class or tranche, and includes a real estate mortgage investment conduit. An Agency Pass-Through Mortgage-Backed Security means a type of Securitized Product issued in conformity with a program of an Agency or a GSE, for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to "pass through" the principal and interest payments to the holders of the security on a pro rata basis.
ii. a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated "as/of" and include the date of execution; or

iii. a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, or a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) during TRACE System Hours, designated "as/of" and include the date of execution.

B. Transactions in Securitized Products that are Collateralized Mortgage Obligations (CMOs)\(^7\) that are executed before the issuance of the security must be reported no later than the first settlement date of the security. If the transaction is reported other than on the date of execution, the transaction report must be designated "as/of" and include the date of execution.

C. Transactions in Securitized Products that are Agency Pass-Through Mortgage-Backed Securities traded \(^1\) "To Be Announced" (TBA)\(^8\) for good delivery (GD)\(^9\) (MBS TBA transactions GD) must be reported as provided in paragraph (A)(1)(i) through paragraph (A)(1)(iv).

D. Transactions in Securitized Products that are Agency Pass-Through Mortgage-Backed Securities traded TBA not for good delivery (NGD) (MBS TBA transactions NGD), Agency Pass-Through Mortgage-Backed Securities traded in Specified Pool Transactions (MBS Specified Pool transactions), or Transactions in CMOs executed at or after issuance must be reported as provided in this paragraph:

i. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 60 minutes after the TRACE system opens.

ii. Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 60 minutes of the Time of Execution, except as provided in paragraph (A)(3)(iii) below.

iii. Transactions executed on a business day less than 60 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 60 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

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\(^8\) TBA refers to a transaction in an Agency Pass-Through Mortgage-Backed Security or an SBA-Backed ABS where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the Time of Execution.

\(^9\) “Good delivery” and “not for good delivery” have the same meaning as described in the Securities Industry and Financial Markets Association’s Uniform Practices Manual, available at https://www.sifma.org/resources/general/tba-market-governance/
iv. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1), no later than 60 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

(A)(3) Applies only to Agency Debt Securities

i. A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours and if reported on T + 1, designated "as/of" and include the date of execution.

ii. A List or Fixed Offering Price Transactions or Takedown Transactions executed on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) at any time during TRACE System Hours, designated "as/of" and include the date of execution.

Reportable Transaction Information under Parts 1 and 2

Depository institutions subject to reporting under Parts 1 and 2 of the FR 2956 collection would be required to report all the transaction details, information, and fields as described in the applicable TRACE technical documentation, FAQs, and guides (collectively, “TRACE documentation”) located at https://www.finra.org/filing-reporting/trace/documentation. This information would include, but is not limited to, the Committee on Uniform Securities Identification Procedures (CUSIP) number or similar identifier, the transaction size (volume), price of the transaction, date of trade execution, time of execution, and date of settlement.

Respondent Panel

The FR 2956 panel would comprise depository institutions that meet the above reporting thresholds and daily transact in trading of marketable U.S. Treasury securities and the trading of the debt and MBS issued by agencies. Prime brokers or depository institutions who file Form G-FIN and are FINRA members acting as an executing broker and that therefore already are subject to TRACE reporting pursuant to FINRA rules would be excluded from the respondent panel.

Time Schedule for Information Collection

Reporting transactions would be event-generated and estimated to occur daily. Depository institutions would be required to assess annually whether they meet the reporting criteria. If a depository institution meets the event-generated threshold to report based on the average of its daily transactions from October 1 of the previous year through September 30, the depository institution would be required to begin to report the proposed FR 2956 effective
January 1 of the following year and continue reporting such transactions throughout that calendar year. If a depository institution that reports on the proposed FR 2956 falls below the threshold based on the average of its daily transactions from October 1 of the previous year through September 30, the depository institution would be required to continue to report through December 31 of that year but would not be required to report for the next calendar year.

**Public Availability of Data**

The data received from this information collection would be included in the various TRACE data products available to market participants, such as data feeds, end-of-day TRACE transaction file, TRACE enhanced historical data, market aggregate statistics, and TRACE Fact Book.

**Legal Status**

The FR 2956 is authorized by sections 2A and 11 of the Federal Reserve Act ("FRA"). Section 2A of the FRA requires that the Board and the FOMC 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.\(^{10}\) Section 11 of the FRA authorizes the Board to require reports from depository institutions as it may deem necessary and authorizes the Board to prescribe reports of liabilities and assets from insured depository institutions to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates.\(^{11}\) The obligation to respond to the FR 2956 would be mandatory. The information collected through the FR 2956 would not be considered confidential.

**Consultation Outside the Agency**

As part of an interagency workgroup discussed above, the Board has consulted with the U.S. Treasury Department, the U.S. Securities and Exchange Commission (SEC), the Commodity and Futures Trading Commission (CFTC) and FINRA on this collection.

\(^{10}\) 12 U.S.C. § 225a. Treasury Securities, agency and GSE debt, and MBS are an important channel of monetary policy transmission. The information to be collected by the FR 2956 is not available from other sources, and collecting these transaction data would help the Board and FOMC better monitor and interpret fluctuations in supply and demand as well as interest rate movements in these key credit aggregates.

Public Comments

On January 21, 2021, the Board published an initial notice in the *Federal Register* (86 FR 6329) requesting public comment for 60 days on the implementation of the FR 2956. The comment period for this notice expires on March 22, 2021.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2956 is 16,500 hours. The average hours per response is based on the estimate that the FR 2956 reporting would require entities to spend three hours\(^{12}\) per reporting day to complete. These reporting requirements represent less than one percent of the Board’s total paperwork burden.

<table>
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<th>FR 2956</th>
<th>Estimated number of respondents</th>
<th>Annual frequency</th>
<th>Estimated average hours per response</th>
<th>Estimated annual burden hours</th>
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The estimated total annual cost to the public for these collections of information is $8,190,875.\(^{14}\)

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\(^{12}\) The estimated burden hours includes the time to operationalize, report, ongoing compliance, management, and other time necessary for reporting under this collection.

\(^{13}\) Of these anticipated respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $600 million in total assets), [https://www.sba.gov/document/support--table-size-standards](https://www.sba.gov/document/support--table-size-standards).

\(^{14}\) The estimated total annual cost includes initial and ongoing operational costs based on method of reporting chosen, compliance, management, and other estimated costs that may be necessary for reporting under this collection. Because there are three methods by which a depository institution could choose to report to TRACE, the calculation assumes a third will report by each method. Connection and other reporting cost information published by FINRA and NASDAQ, where applicable, were used to generate estimated costs for reporters (see [https://www.finra.org/rules-guidance/rulebooks/finra-rules/7730](https://www.finra.org/rules-guidance/rulebooks/finra-rules/7730); [https://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2](https://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2)). 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 [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).
Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Board for collecting and processing this information collection utilizing FINRA as its data collection vendor is approximately $900,000 in one-time costs and approximately $515,000 in annual costs.