

**Supporting Statement for the
Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting
Requirements
(FR 2956; OMB No. 7100-0383)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend, for three years, with revision, the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-0383). The FR 2956 collects 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). The report has two parts: Part 1 collects data on transactions in U.S. Treasury debt, and Part 2 collects transactions in debt and MBS issued by 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 by Financial Institutions of Government Securities Broker or Government Securities Dealer Activities (Form 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 is subject to these reporting requirements. Depository institutions subject to the reporting requirements of the FR 2956 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 Board receives data on transactions executed by FINRA's broker-dealer members from FINRA, but the depository institutions subject to the FR 2956 are not members of FINRA and are not subject to its rules.

The Board proposes to revise Part 1 of the FR 2956 report, which pertains to the reporting of transactions in U.S. Treasury securities, by updating (i) the timeframe within which a depository institution subject to the reporting requirements of Part 1 of the FR 2956 must report transactions in U.S. Treasury securities, and (ii) for transactions executed electronically, the minimum increment of time that must be used for reporting the execution times. The Board also proposes certain technical and clarifying revisions to Part 2 of the FR 2956 report. Specifically, the revisions are intended to make the definitions clearer and to correct an error.

The current estimated total annual burden for the FR 2956 is 33,000 hours and would decrease to 22,000 hours. The proposed revisions would result in a decrease of 11,000 hours. While there is no formal reporting form, detailed instructions on how to report, along with a link to TRACE, is available on the Board's public website at <https://www.federalreserve.gov/apps/ReportingForms/>.

Background and Justification

The U.S. Treasury securities market is the deepest and most liquid government securities market in the world. Treasury securities play 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.

The FR 2956 is a product of the continued efforts to develop efficient and effective ways of collecting comprehensive Treasury market transaction information from depository institutions subject to the Board's reporting requirements. Collecting this information in an event-driven manner from depository institutions that are not FINRA members but that are active in the Treasury market allows a more complete analysis of the Treasury trading data and helps identify and address potential anomalies in the market for Treasury securities.¹ This helps the Board and the Federal Open Market Committee (FOMC) understand frictions and disruptions in the market that would affect the implementation of monetary policy.

In connection with these efforts, the Board also collects data on transactions in debt and MBS securities issued by agencies. Along with Treasury securities and excess reserves, agency debt and MBS are included as high-quality liquid assets for purposes of liquidity requirements adopted by the Federal banking agencies,² 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 in an event-driven manner helps the Board and FOMC better monitor and interpret fluctuations in supply and demand as well as interest rate movements in these key credit aggregates.

The collection of transaction data is on an event-driven basis; the requirement to report is driven by the execution of transactions by a depository institution. Currently, under Part 1 of the FR 2956, transactions executed on a business day must be reported on the same day, with certain exceptions. Under Part 2 of the FR 2956, transactions executed on a business day must be reported no later than 15 minutes after execution, with certain exceptions. Accordingly, depository institutions may have to report transactions under Part 2 more than once per day. This information, as it pertains to transactions executed by depository institutions, is not available from other sources.

Description of Information Collection

The FR 2956 currently collects 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 has two parts. Part 1 collects data on transactions in U.S. Treasury debt and Part 2 collects transactions in debt and MBS issued by agencies. Depository institutions subject to the reporting

¹ FINRA began collecting similar transaction data from its members in 2017. See [FINRA, Regulatory Notice 16-39](#) (Oct. 19, 2016).

² See 12 CFR 249.20.

requirements of the FR 2956 report transactions through the Board's data collection vendor, FINRA, utilizing TRACE. Each reporting depository institution needs to comply with the TRACE technical specifications and requirements necessary for reporting the required transactions. The Board understands that respondents use information technology to make these submissions, as respondents may submit transaction data to TRACE via Financial Information eXchange (FIX) protocol or via a web-based application, as provided by FINRA.

The following depository institutions are subject to reporting requirements on the FR 2956:

- 1) Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Form G-FIN 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 report Part 1 of the FR 2956.
- 2) Every national bank, state member bank, state non-member bank, savings association, or U.S. branch and agency of a foreign bank filing a Form G-FIN 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 report Part 2 of the 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.

Reportable Transaction Information under Parts 1 and 2

Depository institutions subject to reporting under Parts 1 and 2 of the FR 2956 are 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/>. This information will 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 comprises depository institutions that meet the above reporting thresholds. 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 excluded from this respondent panel.

Frequency and Time Schedule

Reporting transactions are event-generated based on the execution of transactions in covered securities. Depository institutions are 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 will be required to begin to report the 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 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 will be required to continue to report through December 31 of that year but will not be required to report for the next calendar year.

Daily collection improves the ability of the Board to monitor and control monetary and credit aggregates, consistent with the responsibility of the Board and FOMC to maintain long run growth of 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.³

Proposed Revisions to the FR 2956

The Board proposes to revise Part 1 of the FR 2956 to update (i) the timeframe within which a depository institution subject to the reporting requirements of Part 1 of the FR 2956 must report transactions in U.S. Treasury debt, and (ii) for transactions executed electronically, the minimum increment of time that must be used for reporting the execution times.

The proposed revisions would generally require a depository institution subject to the reporting requirements of Part 1 to report a transaction executed during TRACE system hours no later than 60 minutes after execution. Transactions executed on a business day before the TRACE system opens would be required to be reported the same day no later than 60 minutes after the TRACE system opens. Transactions executed on a business day less than 60 minutes before 6:30 p.m. Eastern Time, or on a non-business day, would be required to be reported no later than 60 minutes after the next time the TRACE system opens. In addition, with respect to any transaction executed electronically, the proposed revisions would require the time of execution to be reported in an increment that is (i) no longer than one second and no shorter than one microsecond, and (ii) within that range, the finest increment of time captured by the execution system.

The proposed revisions further the goals that the Board articulated when the Board initially adopted the FR 2956. As the Board noted in 2021, collecting information through the FR 2956 would allow a more complete analysis of Treasury trading data and helps identify and address potential anomalies in the market for Treasury securities.⁴ Updating the timeframe within which transactions must be reported, as well as the minimum time increment for reporting execution time, will provide a more complete audit trail of transactions executed by depository institutions that are subject to reporting under Part 1 of the FR 2956.

³ See 12 U.S.C. § 225a. Treasury Securities, agency and GSE debt, and MBS are an important channel of monetary policy transmission. Collecting these transaction data helps the Board and FOMC better monitor and interpret fluctuations in supply and demand as well as interest rate movements in these key credit aggregates.

⁴ See Board of Governors of the Federal Reserve System, [Supporting Statement for the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements](#).

The proposed revisions to Part 1 will also improve the ability of the Board and others in the official sector to integrate data from the FR 2956 with TRACE data reported by broker-dealers to FINRA, and thus have a more comprehensive view of the Treasury market. Effective November 6, 2023, FINRA's TRACE reporting rules, applicable to FINRA members, were revised to include the same reporting timeframes and time increments as those contained in the proposed revisions. The proposed revisions will bring the FR 2956 and FINRA's TRACE rules into alignment.

In addition, the Board proposes to make certain technical, non-substantive revisions to Part 2 of the FR 2956. The changes are intended to make the definitions clearer, clarify the paragraph numbering, and correct an error in current paragraph (D)(ii). With respect to both Parts 1 and 2, the Board has proposed to make clarifying revisions to certain defined terms and to add definitions to certain terms that were previously undefined.

Public Availability of Data

The data received from this information collection will be included in the various current or future TRACE data products offered by FINRA, such as data feeds, the 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.⁵ 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.⁶ The obligation to respond to the FR 2956 is mandatory.

The information collected through the FR 2956 would generally be considered confidential under exemption 4 of the Freedom of Information Act as confidential commercial or financial information that is both customarily and actually treated as private by the respondent.⁷

⁵ 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.

⁶ 12 U.S.C. § 248(a).

⁷ 5 U.S.C. § 552(b)(4).

Consultation Outside the Agency

As part of an interagency workgroup discussed above, the Board has consulted with the Treasury, SEC, Commodity Futures Trading Commission, and FINRA on this collection.

Public Comments

On July 1, 2024, the Board published an initial notice in the *Federal Register* (89 FR 54462) requesting public comment for 60 days on the extension, with revision, of the FR 2956. The comment period for this notice expires on August 30, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2956 is 33,000 hours and would decrease to 22,000 hours with the proposed revisions. The burden estimate was produced using the standard Board burden calculation methodology and was also informed by the Board's increased experience and understanding of how respondents report transaction information to TRACE.⁸ Specifically, the Board now understands that nearly all submissions are made automatically by respondents, without manual input. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

| FR 2956 | <i>Estimated number of respondents⁹</i> | <i>Estimated annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|-----------------------------|----------------------------------------------------|-----------------------------------|---------------------------------------------|--------------------------------------|
| Current | | | | |
| Part 1: Treasury securities | 22 | 250 | 3 | 16,500 |
| Part 2: Agency debt and MBS | 22 | 250 | 3 | <u>16,500</u> |
| <i>Current Total</i> | | | | 33,000 |
| Proposed | | | | |
| Part 1: Treasury securities | 22 | 250 | 2 | 11,000 |
| Part 2: Agency debt and MBS | 22 | 250 | 2 | <u>11,000</u> |
| <i>Proposed Total</i> | | | | 22,000 |
| <i>Change</i> | | | | (11,000) |

⁸ The estimated burden hours includes the time to operationalize, report, ongoing compliance, management, and other time necessary for reporting under this collection.

⁹ Of these respondents to this information collection, none of the respondents are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support--table-size-standards>.

The estimated total annual cost to the public for this collection of information is \$2,186,250 and would decrease to \$1,457,500 with the proposed revisions.¹⁰

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 \$650,000 in annual costs.

¹⁰ Total cost to the responding/ 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 \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.