

**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 delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Government Securities Dealers Reports (FR 2004; OMB No. 7100-0003). This family of reports 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)<sup>1</sup>
- 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)
- 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 to (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 helpful in the analysis of broad financial conditions and a range of financial stability issues. The annual reporting burden for the FR 2004 is estimated to be 21,735 hours.

**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

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<sup>1</sup> 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 and respondents shall be informed that the information collection has been approved, (3) be used only in such cases where response is voluntary, (4) not be used to substantially inform regulatory actions or policy decisions, (5) be conducted only and exactly as described in the OMB submission, (6) involve only noncontroversial subject matter that will not raise concerns for other Federal agencies, (7) include information collection instruments that are each conducted only one time, (8) include a detailed justification of the effective and efficient statistical survey methodology (if applicable), and (9) 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.

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 of Governors 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 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 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 was 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.

Effective with the January 7, 2004, report date, the FR 2004 reporting forms were revised to delete the columns for cumulative weekly volume and average weekly rates for repurchase

agreements on the FR 2004C, formalize the collection of the FR 2004SI daily data in the FR 2004SD, add a new data item to collect the security ID on the FR 2004SI and the flexibility to modify the reporting form and instructions at any time if the Treasury issues a security with a new maturity class, and align column headings on the FR 2004B, SI, and WI reporting forms. In addition, the time schedule for submitting the reporting forms was made uniform and all data submitted on the FR 2004C were made available to the public on an aggregate basis. In January 2007, the reporting forms were revised to add an attestation requirement, replace the financing counterparty breakdown with the transaction type on the FR 2004SI, and clarify the instructions. In January 2010, the FR 2004SD was revised to collect up to 10 ad hoc data items from all respondents to collect critical information in a short period of time from primary dealers.

Effective March 31, 2013, the FR 2004 reporting forms were revised to collect additional data on positions, transactions, and securities settlement fails for Treasury, mortgage-backed securities (MBS), and corporate securities. In addition, the Federal Reserve expanded the data on securities financing to include expanded collateral asset classes and contract terms. To increase the coverage of U.S. fixed income markets more broadly, the Federal Reserve increased the scope of asset classes to include data on state and municipal debt and asset-backed securities while consolidating the reporting of agency and government sponsored enterprise (GSE) debentures. The Federal Reserve also expanded the publication of the aggregate data to include specific-issue Treasury data from the FR 2004SI, on the current 8-day lag schedule.

Effective January 7, 2015, the FR 2004 reporting forms were revised to (1) collect data on gross positions for floating rate Treasury securities; (2) expand data collected on gross positions in investment grade corporate securities, below investment grade corporate securities, and state and municipal government obligations; (3) collect data on asset-backed securities in the securities financing section; and (4) add four new reporting forms to collect detailed data on settlement fails and transaction volumes.

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. Board staff 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, and C) 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)<sup>2</sup> uses the data from the FR 2004SI, SD and WI for Treasury market surveillance.

## **Description of Information Collection**

The FR 2004A collects weekly data on dealers' outright positions in Treasury and other marketable debt securities. 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

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<sup>2</sup> This group consists of staff from the FRBNY, the Federal Reserve Board, the Treasury, the SEC, and the Commodity Futures Trading Commission.

FR 2004A. The FR 2004C collects weekly data on the amounts of dealer financing and fails. 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). 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. 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. The FR 2004WI collects daily data on positions in to-be-issued Treasury coupon securities, mainly the trading on a when-issued delivery basis. The FR 2004FA reports Class A Agency and GSE To Be Announced (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. 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. 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. 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.

The frequency associated with each report 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.

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 23 primary dealers.

### **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 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-issue period with the last report due on issue date for the business

day prior.<sup>3</sup> The FR 2004FA, FB, FC, and FM would be collected once per month, one for each class settlement date and one for the last business day of the month and these data are due to the FRBNY the next business day.

Summary data from FR 2004A, B, C, and SI are published each Thursday and from FR 2004FA, FB, FC, and FM are published monthly in a FRBNY statistical release. These can be obtained from [www.newyorkfed.org/markets/primarydealers.html](http://www.newyorkfed.org/markets/primarydealers.html). 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 Board's Legal Division has determined that the FR 2004 is authorized by sections 2A, 12A(c), 14, and 15 of the Federal Reserve Act (12 U.S.C. 225a, 263c, 353-359, and 391) and is required to obtain or retain benefit of dealer status. Individual respondent data are regarded as confidential under the Freedom of Information Act (5 U.S.C. 552(b)(4) and (b)(8)).

### **Consultation Outside the Agency**

On July 6, 2017, the Board published an initial notice in the *Federal Register* (82 FR 31327) requesting public comment for 60 days on the extension, without revision, of the FR 2004. The comment period for this notice expired on September 5, 2017. The Board did not receive any comments. On October 24, 2017, the Board published a final notice in the *Federal Register* (82 FR 49207) and the information collection will be extended as proposed.

### **Estimate of Respondent Burden**

The current annual burden for the FR 2004 is estimated to be 21,735 hours. These reporting requirements for the FR 2004 represents less than 1 percent of the total Federal Reserve System paperwork burden.

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<sup>3</sup> 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.

<b>FR 2004</b>	<i>Number of respondents<sup>4</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2004A	23	52	3.0	3,588
FR 2004B	23	52	3.7	4,425
FR 2004C	23	52	3.1	3,708
FR 2004SI	23	52	2.2	2,631
FR 2004SD	23	25	2.2	1,265
FR 2004SD ad hoc	23	26	2.0	1,196
FR 2004WI	23	160	1.0	3,680
FR 2004FA	23	12	1.0	276
FR 2004FB	23	12	1.0	276
FR 2004FC	23	12	1.0	276
FR 2004FM	23	12	1.5	<u>414</u>
<i>Total</i>				21,735

The total cost to the public is estimated to be \$1,193,252 for the FR 2004.<sup>5</sup>

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

<sup>4</sup> Of these respondents, none are small entities as defined by the Small Business Administration (i.e., entities with less than \$38.5 million in average annual receipts) [www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards](http://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards).

<sup>5</sup> 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 \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, 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 2016*, published March 31, 2017, [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/).