

Department of the Treasury
Supporting Statement
OMB 1505-NEW

Ongoing Data Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement (Repo) Market

A. Justification

1. Circumstances Making the Collection of Information Necessary.

The collection of data on the non-centrally cleared bilateral segment of the repo market is consistent with the purpose and duties of the Office of Financial Research (OFR) as set forth in Section 153 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 USC 5343), which requires the OFR to collect data on behalf of the Financial Stability Oversight Council (Council) and provide such data to the Council and its member agencies, and marks the final step in carrying out the Council's recommendation to expand and make permanent the collection of data on the U.S. repo market. The Council first recommended a collection of non-centrally cleared bilateral repo data in its 2016 annual report. The OFR mentioned in its 2018 rule making on cleared repo that it was considering separate rule making on the non-centrally cleared bilateral segment of the repo market. In the wake of the March 2020 illiquidity in the Treasury market, both the OFR's 2020 Annual Report and the Council's 2020 Annual Report highlighted the non-centrally cleared bilateral repo market as an important blind spot in financial stability monitoring. The Council again recommended a collection of non-centrally cleared bilateral repo data in its 2021 annual report to Congress. In a 2022 statement on nonbank financial intermediation, the Council supported a recommendation made by the Council's Hedge Fund Working Group that the Office consider ways to collect NCCBR data and, in July 2022 and February 2024, the Office consulted with the Council on efforts to collect NCCBR data.

The collection of transactional data on non-centrally cleared bilateral repos is key to the Council's effective identification and monitoring of emerging threats to the stability of the U.S. financial system, filling in the remaining gap in coverage following the OFR's rulemaking on the cleared repo market. By collecting from financial companies with over \$10 billion in outstanding non-centrally cleared bilateral repo borrowing, the OFR initially expects to cover over 90% of the total non-centrally cleared bilateral repo market segment with 40 reporters.

In Q4 of 2023 the SEC passed a new rule that would require all treasury collateralized repo transactions to be centrally cleared. The rule will be fully implemented on June 30, 2026, 18 months after this data collection is projected to start. The OFR estimates that this rule will reduce the size of the non-centrally cleared bilateral repo market, but that the segment still poses financial stability risks and this data collection will still be valuable to regulators. This market will remain the segment with the riskiest collateral and counterparties even after the full implementation of the SEC's central clearing rule. For this reason, there remains value in this data collection both to monitor the transition period before full implementation of the SEC's rule, and to close a potential data gap after the full implementation of the rule.

It is difficult to project market characteristics after the SEC's rule has been fully implemented, but using a methodology similar to above, the OFR estimates that after the rule is implemented, the data collection will cover between 56% and 75% of the remaining market with between 6 and 15 covered reporters. The OFR believes 56% is a very conservative estimate based on the assumption that all treasuries collateralized repo transactions migrate to central clearing, and

that 75% is an estimate that assumes a modest amount remains in the NCCBR market. The scope of the SEC's rule depends on FICC's ability to adjust its clearing rules to allow for repo contracts with embedded optionality, and it is currently unclear how this will be achieved. In addition, inter-affiliate trades are exempt from the SEC rule. The volume of treasury trading that would need to remain for this 75% estimate (15% of current market volume) is low relative to the total amount of inter-affiliate trading we see in the OFR NCCBR 2022 pilot data (discussed in Section 8, below).

Based on the above methodology, the OFR estimates that there will be between 6 and 15 covered reporters after the SEC's central clearing rule is fully implemented and the remaining market size will be between \$297 billion and \$604 billion in size under the 56% and 75% scenarios, respectively. These estimates are similar in size to the centrally cleared tri-party market (GCF), a repo segment for which the OFR currently collects transaction data. Given the similarity in size and the significantly elevated risk in this segment compared to GCF, the OFR believes that monitoring this segment will remain important for monitoring financial stability risks in the market after the SEC rule is implemented. With this collection in combination with the OFR's collection of cleared repo data and the collection of tri-party data by the Federal Reserve, nearly all of the activity in the repo market will be collected on a transaction level basis.

The repo market plays a number of critical functions which have associated vulnerabilities that could give rise to conditions that impair the ability of repo markets to perform. It also forms critical links between diverse financial sector participants and between securities markets and funding markets. However, the repo market remains exposed to vulnerabilities which materialized in 2008 and again in March 2020.

From a financial stability perspective, it is important to monitor transactions in the NCCBR segment for several reasons. First, activity across the different segments of the repo market is linked. The centrally cleared bilateral market, for instance, serves as a close substitute for NCCBR, particularly in the sponsored segment of the market where customers who are not direct clearing members of FICC, such as hedge funds and money market funds, can participate in transactions with clearing members. In times of stress, activity may move between sponsored repo and NCCBR. Additionally, external changes affect the decisions of dealers to engage in sponsored repo, such as changes in the supply of cash to money market funds and the size of netting benefits provided by sponsored repo. This means that shifts between NCCBR and sponsored repo are difficult to infer without direct data. Covering this final segment of the repo market is therefore essential to providing regulators with a complete picture of repo market activity and to realizing the full potential of existing data collections on other segments of the repo market.

Second, as listed above, because the non-centrally cleared bilateral repo market has no central counterparty or custodian, because of the nature of collateral underlying trades in NCCBR, and because of the types of counterparties that have large exposures to NCCBR, this data will provide insights into a market that may be a particularly salient source of vulnerability for financial stability. Many of the counterparties involved in the market, such as non-bank and non-primary dealers, are impossible to monitor with existing regulatory collections. Transaction-level data will provide regulators with the granularity necessary to monitor vulnerabilities on a high-frequency basis, which is essential in a market where crises are often too short-lived for other monthly or quarterly reporting to capture. Moreover, data on collateral will allow regulators to monitor exposures to particular classes of collateral, margining practices which protect participants from movements in the value of collateral, and the potential transmission of repo market stress into asset markets. Timestamps and details of trading venues will allow regulators to monitor activity in a market where intra-day liquidity concerns play a key role in the creation of

stress.

Third, the NCCBR market segment currently lacks transparency on a variety of dimensions even for market participants. Providing aggregated statistics on rates, haircuts and volumes could provide greater clarity to market participants on characteristics of the market relevant to their risk-management and other decision making. This could take a form similar to the OFR's current disclosure of aggregated cleared repo data through the OFR's U.S. Repo Markets Data Release. Introducing data standards through the rule's reporting process into this decentralized market may also improve the ability to reconcile records between firms in the event of a crisis.

2. Purpose and Use of the Information Collection.

This collection will be used by the OFR to improve the Council's and member agencies' monitoring of the U.S. repo market and in identifying and assessing potential financial stability risks. The additional daily transaction data this collection will facilitate identification of potential repo market vulnerabilities and will help identify shifting repo market trends that could be destabilizing or indicate stresses elsewhere in the financial system. Such trends might be reflected in the volume and price of funding in the repo market at different tenors, differentiated by the type and credit quality of participants and the quality of underlying collateral. Further, analyzing the collateral data from this collection together with other data available to the OFR, the Council, and member agencies will enable a clearer understanding of collateral flows in securities markets and potential financial stability risks.

Another important use of the data will be to monitor the transition between the time that the NCCBR collection commences and when, under the SEC's central clearing rule, certain Treasury repo trades will be required to migrate to central clearing. The NCCBR collection will provide contemporaneous information to policymakers on the progress of market participants in moving to central clearing. Because the rule will involve such significant changes in market structure, and because there is substantial uncertainty surrounding how markets will respond to its implementation, this source of information to regulators on progress and risks associated with the transition will be invaluable.

The OFR expects, consistent with the Dodd-Frank Act, to share data and information with the Council and member agencies, and such data and information must be maintained with at least the same level of security as used by the OFR and may not be shared with any individual or entity without the permission of the Council. Consistent with this authority, the OFR will also make data collected and maintained under this collection available to the Council and member agencies, as necessary to support their financial-stability regulatory responsibilities. The sharing of any data from this collection will be subject to the confidentiality and security requirements of applicable laws, including the Dodd-Frank Act. Pursuant to the Dodd-Frank Act, the submission of any non-publicly available data to the OFR under this collection will not constitute a waiver of, or otherwise affect, any privilege arising under federal or state law to which the data or information is otherwise subject.

Aggregate or summary data from the collection may be provided to the public as described above to increase market transparency and facilitate research on the financial system, to the extent that intellectual property rights are not violated, business confidential information is properly protected, and the sharing of such information poses no significant threats to the U.S. financial system. For example, the OFR may develop aggregated data series from this collection, analogous to the OFR's centrally cleared repo data series published at <https://www.financialresearch.gov/short-term-funding-monitor/>.

The potential sharing of aggregate or summary data collected under this collection would help fulfill a recommendation of the Council to make appropriately aggregated securities financing data available to the public.

The OFR will also use the data to conduct additional research. This research may include the use of these data to help fulfill the duties and purposes under the Dodd-Frank Act relating to the responsibility of the OFR's Research and Analysis Center to develop and maintain independent analytical capabilities to support the Council and relating to the programmatic functions of the OFR's Data Center. For example, access to data on NCCBR will allow the OFR to conduct research related to the Council's analysis of potential risks arising from securities financing activities and nonbank financial institutions.

3. Consideration Given to Information Technology.

This collection seeks transaction data created by financial companies related to NCCBR trades. Various IT systems and software are currently used by financial companies when conducting these transactions. We know this from collections on data from tri-party repurchase agreements and centrally cleared repurchase agreements as well as from the OFR's 2022 pilot collection of NCCBR data. OFR intends to collect these data through electronic submission to reduce the burden on reporters.

4. Duplication of Information.

There are currently no existing collections within Treasury or in other parts of government that collect daily transaction level data on NCCBR agreements. The OFR confirmed this initially with research, followed by a series of interviews conducted in 2022 to determine that there are no existing or planned collections that would duplicate or overlap with the NCCBR collection. These interviews were conducted with: Treasury's Office of Domestic Finance, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, and the Federal Reserve Bank of New York. The OFR also met with industry associations including Securities Industry and Financial Markets Association, Financial Industry Regulatory Authority, Managed Funds Association, and the Independent Dealer and Trader Association. Additionally, the OFR received no public comments on its January 2023 proposed rule that identified duplicative data collections.

5. Reducing the Burden on Small Entities.

The OFR does not believe this rule will impact small business or other small entities. OFR has designed the definition of covered reporters to ensure those financial companies who fall under the rule are those who likely have the infrastructure and expertise to report their transactions. The rule will apply to:

- financial companies filing a Notice of Government Securities Broker or Government Securities Dealer Activities or SEC-registered brokers or dealers that are **at or above the volume threshold of \$10 billion** in **NCCBR** cash borrowing;
- any financial company not included above with over **\$1 billion in assets** whose average of daily total open commitments to borrow cash (inclusive of both overnight and all intraday transactions) through NCCBR from institutions not included in the above category **exceeds \$10 billion**.

6. Consequences of Not Conducting Collection.

Unlike the other segments of the market, little is known about the NCCBR market segment directly, as there is no transaction-level collection of these data. However, research by the OFR shows that this segment represents 60% of total repo lending and 37% percent of total repo borrowing by primary dealers. This segment involves the riskiest collateral, riskiest counterparties, and most opaque margining practices, and has been the origin of several previous stress events. The lack of visibility into this segment has forced researchers to speculate on the causes of these stress events, with limited empirical evidence.

This rule is designed to fill a critical gap in regulators' information on the repo market by collecting NCCBR data, the last segment for which regulators do not have a transaction-level data source. The need for a collection of data on this segment of the market has been known since 2016, when the Council first called for the OFR to establish a permanent repo data collection. However, this lack of visibility was felt acutely following a September 2019 repo spike and March 2020 dislocations in the Treasury market when substantial portions of activity in these crucial funding markets could not be observed. In the wake of these episodes of stress, market participants and regulators have pointed to this segment as a critical blind spot in a market that plays a key role in financial stability.

This data collection will remain important even after the SEC clearing rule is fully implemented. This segment will still have the riskiest collateral and counterparties of all the different repo market segments, and the OFR estimates that the size will remain large enough to cause disruptions in financial markets. Additionally, it is unclear how the SEC rule will change the structure of the market, and there may be the potential for avoidance by market participants. Collecting data on this segment will ensure that regulators are aware of any large Treasury collateralized repo volumes that may remain even after the SEC clearing rule is implemented. Collecting data on this segment is also important to monitor the transition of treasury collateral into the centrally cleared market. Since the rule requires changes in the market practices in the central cleared market, it will be important to monitor the transition to central clearing to ensure these rules are adequate and will not cause any disruptions in repo markets.

7. Special Circumstances.

This collection seeks once daily reporting from financial companies that meet the volume criteria stipulated in the rule. Daily transaction data is consistent with previous OFR rules requiring reporting of tri-party repurchase agreements and centrally cleared repurchase agreements.

There are no other special circumstances. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. Consultations with Persons Outside the Agency.

In December 2021, the OFR initiated a voluntary pilot collection of NCCBR transactions. As part of this pilot, the OFR conducted outreach to government, industry participants, and industry associations from January 2022 through September 2022. During each discussion, OFR obtained information relating to stakeholder knowledge and interest in the NCCBR market segment, the state of industry reporting capabilities and practices, and other related concerns. Volunteer pilot participants included nine financial companies with significant transaction volume. The feedback obtained through this pilot was invaluable in designing the rule to reduce burden and maximize the benefit to industry and Council member agencies.

The OFR subsequently sought public comment through its Notice of Proposed Rulemaking, which was published in January 2023, and received more than 30 comments. These comments represented financial industry associations as well as a number of individuals. The majority of comments were supportive of the proposed collection. The OFR also consulted with the Council in July 2022 and February 2024, when Council members emphasized the importance of this work, which they noted is intended to bring greater official-sector transparency to the largest and most opaque segment of the secured financing market.

9. Payment or Gift.

No payments or gifts will be made to respondents.

10. Confidentiality.

The sharing of any data from this collection will be subject to the confidentiality and security requirements of applicable laws, including the Dodd-Frank Act. Pursuant to the Dodd-Frank Act, the submission of any non-publicly available data to the OFR under this collection will not constitute a waiver of, or otherwise affect, any privilege arising under federal or state law to which the data or information is otherwise subject.

Aggregate or summary data from this collection might be provided to the public as described above to increase market transparency and facilitate research on the financial system, to the extent that intellectual property rights are not violated, business confidential information is properly protected, and the sharing of such information poses no significant threats to the U.S. financial system. The potential sharing of aggregate or summary data collected under this collection would help fulfill a recommendation of the Council to make appropriately aggregated securities financing data available to the public.

The OFR may also use the data to sponsor and conduct additional research. This research may include the use of these data to help fulfill the duties and purposes under the Dodd-Frank Act relating to the responsibility of the OFR's Research and Analysis Center to develop and maintain independent analytical capabilities to support the Council and relating to the programmatic functions of the OFR's Data Center. For example, access to data on non-centrally cleared bilateral repos will allow the OFR to conduct research related to the Council's analysis of potential risks arising from securities financing activities and nonbank financial institutions.

11. Questions of a Sensitive Nature.

This collection does not pertain to individual persons. It will collect data from financial companies on market transactions. There is no PII involved.

12. Burden of Information Collection.

Estimated Annual Reporting Burden before Implementation of the SEC Clearing Rule							
Type of Collection	No. Of Respondents	Annual Responses per Respondent	Hours per Response	Total Annual Responses	Total Annual Hours	Average Hourly Wage Rate	Total Annual Respondent Labor Cost
Electronic Data Submission	40	252	3	10,080	30,240	\$131	\$3,961,440
Assessment of Need to Report	2,000	4	3	8,000	24,000	\$131	\$3,144,000
Total				18,080	54,240		\$7,105,440

Estimated Annual Reporting Burden after Implementation of the SEC Clearing Rule							
Type of Collection	No. Of Respondents	Annual Responses per Respondent	Hours per Response	Total Annual Responses	Total Annual Hours	Average Hourly Wage Rate	Total Annual Respondent Labor Cost
Electronic Data Submission	15	252	3	3,783	11,340	\$131	\$1,485,540
Assessment of Need to Report	2,000	4	3	8,000	24,000	\$131	\$3,144,000
Total				11,783	35,340		\$4,629,540

For purposes of the present information collection request submission, the annualized burden over the next three years is estimated below (taking the average of the two tables above, given that each will cover approximately 18 of the following 36 months).

Estimated Annualized Average Reporting Burden Over the Next Three Years							
Type of Collection	No. Of Respondents	Annual Responses per Respondent	Hours per Response	Total Annual Responses	Total Annual Hours	Average Hourly Wage Rate	Total Annual Respondent Labor Cost
Electronic Data Submission	28	252	3	7,056	21,168	\$131	\$2,773,008
Assessment of Need to Report	2,000	4	3	8,000	24,000	\$131	\$3,144,000
Total				15,056	45,168		\$5,917,008

13. Annual Cost to Respondents.

In addition to the reporting costs outlined above, each covered reporter must also obtain and maintain a Legal Entity Identifier, which typically costs \$60 to initially obtain, and then \$40 annually to maintain. Using these assumptions, the Office estimates the recurring operational

costs for the submissions under this collection to be \$99,076 annually for each covered reporter and the total estimated annual costs for the 40 expected covered reporters is \$3,963,040 prior to after the implementation of the SEC Clearing Rule and is \$1,486,140 for the 15 reporters expected following implementation of the Rule.

The Office also estimates that approximately 2,000 financial firms would need to determine whether they are covered reporters on a quarterly basis. The Office estimates this would take 3 hours per quarter. The total estimated annual cost for these 2,000 financial firms is \$3,144,000. Combining the costs of the 40 covered reporters and the 2,000 financial firms, the total recurring annual cost of the data collection is estimated at \$7,107,040 prior to after the implementation of the SEC Clearing Rule and is \$4,631,140 following implementation of the rule.

Finally, the OFR anticipates covered reporters will experience one-time initial start-up costs to account for data management systems and software, operations, and alignment of reporting schedules for ease of data transmission. The estimate of these initial costs is \$65,500 per covered reporter. Because the OFR anticipates 40 covered reporters, the estimated aggregate initial start-up cost of required reporting is \$2,620,000.

14. Cost to the Federal Government.

The OFR estimates the total startup cost to the Federal government is \$994,000, with an annual recurring cost of \$460,000. This estimate covers both labor and nonlabor costs. Over the initial three-year approval for this Information Collection Request, the annualized total is estimated to be \$964,667 ($\$1,244,000 / 3 + \$550,000$).

Beginning in July 2027, after the implementation of the SEC Clearing Rule and the migration of certain NCCBR transactions to central clearing described above, the OFR anticipates that the number of covered reporters will decrease and estimates the annual recurring cost of both labor and nonlabor costs will reduce to \$430,000. This estimate is exclusive of any remaining annualized startup costs.

15. Reason for Change.

This is a new information request.

16. Tabulation of Results, Schedule, Analysis Plans.

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17. Display of OMB Approval Date.

The OFR will display the expiration date for OMB approval of this information collection request.

18. Exceptions to Certification for Paperwork Reduction Act Submission.

The OFR does not request an exception to the certification statement for this information collection request.