U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

BACKGROUND ON CALL FOR LARGE POSITION REPORTS

Treasury's large position reporting rules (17 CFR Part 420), which were issued in final form on September 12, 1996 (61 FR 48338), established recordkeeping and reporting requirements for entities that control large positions in certain Treasury securities. An amendment to the rules was issued on December 18, 2002, and was effective January 17, 2003. The rules put in place an on-demand reporting system which, in response to a notice by Treasury requesting large position information, requires large position reports to be filed by entities that control a position in a particular Treasury security or securities equaling or exceeding the specified large position threshold. Holders will have three and one-half days in which to respond to the request, unless otherwise noted on the press release.

The rules were first effective March 31, 1997. When the rules were announced, Treasury said that it would issue a test call annually. Treasury has issued seven previous test calls, and one non-test call.

The purpose of the rules is to give Treasury the means to acquire information quickly on concentrations of a security's holdings in the event of a market dislocation affecting that security. The rules are intended to improve the information available to Treasury and other regulators regarding concentrations of control and to ensure that regulators have the tools necessary to monitor the Treasury securities market. Large positions, in and of themselves, are not inherently harmful, and there is no presumption of manipulative or illegal intent on the part of a controlling entity merely because it is required to submit a large position report in response to these rules. The Treasury does not expect to have to use such authority for such purposes frequently, but it wants holders' reporting systems to be fully functional in the event it needs to require large position information.

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