

**§ 122.61-9 SBA grant to intermediary for marketing, management, and technical assistance.**

(a) *General.* \* \* \* In addition, each intermediary is authorized to expend no more than fifteen (15) percent of the grant funds received from SBA to provide information and technical assistance to small business concerns that are prospective borrowers under this program. \* \* \*

(b) *Amount of Grant.* (1) Subject to the requirement of paragraph (b)(2) of this section, and the availability of appropriations, each intermediary under this program shall be eligible to receive a grant equal to 25 percent of the total outstanding balance of loans made to it by SBA, *provided, however*, that if an intermediary provides no less than 25 percent of its loans to small business concerns located in or owned by one or more residents of an economically distressed area, it shall be eligible to receive an additional grant from SBA equal to 5 percent of the total outstanding balance of SBA loans made to the intermediary. The intermediary shall not be required to match such grant.

(2) \* \* \* The requirement that the intermediary contribute 25 percent of the amount of the SBA grant is inapplicable to an intermediary which provides not less than 50 percent of its loans to small business concerns located in or owned by one or more residents of an economically distressed area.

\* \* \* \* \*

7. A new § 122.61-13 would be added to read as follows:

**§ 122.61-13 SBA guaranteed loans to intermediaries.**

(a) *Purpose.* SBA may guarantee not less than 90 percent nor more than 100 percent of a loan made to an intermediary by a for-profit or non-profit entity or by alliances of such entities.

(b) *Number of Intermediaries.* SBA shall not guarantee loans to more than 10 intermediaries in urban areas or more than 10 intermediaries in rural areas.

(c) *Maturity and Repayment of Microloan Guaranteed Loan.* An SBA guaranteed loan made to an intermediary under this section shall have a maturity of 10 years. During the first year of each such loan, the intermediary shall not be required to repay any interest or principal, although interest will continue to accrue during this period. During the second through fifth years of such a loan, the intermediary shall pay interest only. During the sixth through tenth years of the loan, the intermediary shall make

interest payments and fully amortize the principal.

(d) *Interest rate.* The interest rate on a SBA guaranteed loan to an intermediary shall be calculable as set forth in § 122.61-6.

(e) *Termination of SBA Authority to Guarantee.* The authority of SBA to guarantee loans to intermediaries under this § 122.61-13 shall terminate on September 30, 1997.

Dated: December 21, 1994.

**Philip Lader,**

*Administrator.*

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**DEPARTMENT OF THE TREASURY**

**Office of the Under Secretary for Domestic Finance**

**17 CFR Parts 404 and 405**

**RIN 1505-AA53**

**Amendments to Regulations for the Government Securities Act of 1986**

**AGENCY:** Office of the Under Secretary for Domestic Finance, Treasury.

**ACTION:** Advance notice of proposed rulemaking.

**SUMMARY:** The Government Securities Act Amendments of 1993 authorize the Secretary of the Treasury (Treasury) to prescribe rules requiring persons holding, maintaining or controlling large positions in to-be-issued or recently issued Treasury securities to keep records and file reports of such large positions. The Treasury is issuing this Advance Notice of Proposed Rulemaking (ANPR) to advise market participants of our intention to issue large position recordkeeping and reporting regulations, describe the purposes of, and objectives to be achieved by, such rules and identify key elements related to any rule proposal. We invite comments, advice and recommendations from interested parties regarding how the large position recordkeeping and reporting requirements should be structured. To assist in the solicitation of comments and to facilitate in the development of rules, responses to specific questions are requested.

**DATES:** Comments must be received on or before April 24, 1995.

**ADDRESSES:** Comments should be sent to: Government Securities Regulations Staff, Bureau of the Public Debt, Department of the Treasury, 999 E Street NW., Room 515, Washington, D.C. 20239-0001. Comments received will be

available for public inspection and copying at the Treasury Department Library, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue NW., Washington, D.C. 20220.

**FOR FURTHER INFORMATION CONTACT:** Ken Papaj (Director) or Don Hammond (Assistant Director), Government Securities Regulations Staff, at 202-219-3632. (TDD for the hearing impaired is 202-219-3988.)

**SUPPLEMENTARY INFORMATION:**

**I. Background**

The U.S. government securities market is the largest and most liquid securities market in the world. The enormous liquidity and pricing efficiency of this market provide incalculable benefits to other financial markets in the United States, and throughout the world, by providing a continuous benchmark for interest rates on dollar-denominated instruments across the maturity spectrum. The government securities market has consistently demonstrated its ability to absorb the large amounts of Treasury securities that must be issued to finance the operations of the U.S. Government in a cost-effective manner for the taxpayer, which is the market's primary public purpose. However, certain events that occurred in 1991, specifically a "short squeeze"<sup>1</sup> in two different Treasury securities led to the realization that Federal financial regulators need, from time to time, more information about holdings of very large amounts of Treasury securities.

*A. Events Giving Rise to Large Position Reporting Authority*

The occurrence of short squeezes in the government securities market in 1991 is discussed in some detail in the Joint Report on the Government Securities Market (Joint Report).<sup>2</sup> While yields of Treasury securities of similar maturity vary constantly, there were two instances during the Spring of 1991 in which particular securities traded well below the corresponding yields for similar securities for an extended period of time. In the first case, a short squeeze developed in the two-year note auctioned on April 24, 1991. When the squeeze first became evident in mid-May, the yield on the April two-year

<sup>1</sup> A short squeeze can occur when an event unanticipated by short sellers reduces the supply of securities available in the marketplace. It can also occur as a result of deliberate behavior by one or more market participants to restrict the supply of securities, thereby driving up prices.

<sup>2</sup> Department of the Treasury, Securities and Exchange Commission and Board of Governors of the Federal Reserve System *Joint Report on the Government Securities Market*, January 1992.