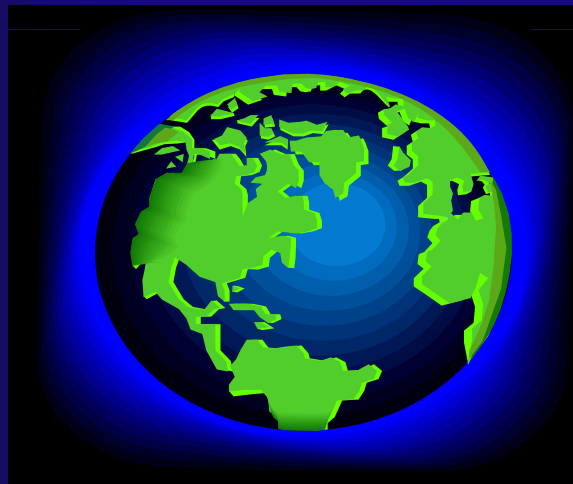


Aggregate Holdings of Long-Term Securities by U.S. and Foreign Residents (“TIC SLT”)



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Presenters

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History of Cross-Border Portfolio Investment Data



Lessa Gomez

History

➤ **What are Cross-Border Investments**

- Investments that involve both a U.S. resident and a foreign resident
- TIC system collects data on financial transactions and investments that involve both a U.S. seller and a foreign purchaser, and vice versa.

History



➤ **What is the TIC System**

The Treasury International Capital (“TIC”) reporting system collects data for the United States on cross-border financial flows and positions between U.S. residents (including U.S.-based branches of firms headquartered in other countries) and foreign residents (including offshore branches of U.S. firms).

History

➤ **What is the TIC System (cont.)**

➤ The system collects:

- monthly data on transactions in long-term securities;
- monthly and quarterly position data on claims and liabilities (including some short-term securities) reported by banks and broker/dealers of securities;
- quarterly position data on selected claims and liabilities reported by non-banks and non-broker/dealers;
- annual position data on holdings of long-term and short-term securities; and
- quarterly position and transactions data on financial derivatives.

History



➤ How are the various TIC data series on securities related

- The monthly aggregate transactions data and the detailed annual surveys form a **complementary** system for analysis of cross-border activity.
 - Annual surveys collect security-by-security information on positions that are considered to be highly accurate, but cannot be produced in a time frame useful for analysis of current activity.
 - Monthly data are more timely, but less accurate.

History



- 1853 – First survey of aggregate foreign holdings of U.S.
 - Motivated by Congressional concerns over increasing U.S. debt held by foreigners
 - Survey showed foreigners owned \$222 million in U.S. securities
 - 19% of total outstanding U.S. securities
 - 46% of outstanding federal government securities

History

- 1934 - Implementation of TIC reporting system of monthly and quarterly financial flows, including securities, in response to the banking crisis of 1933
- 1974 – First modern, security-level, survey of foreign investment in U.S. securities
 - Response to Congressional concerns over growing foreign influence on the economy
 - Foreign Investment Study Act of 1974

History

- 1994 – First security level-survey of U.S. investment in foreign securities
- 1998 – First Coordinated Portfolio Investment Survey (“CPIS”) (data as of year-end 1997)
 - 1997-1998 Asian financial crisis caught most by surprise.
 - Lack of detailed, timely data on Reserve Assets and External Debt positions masked the problems.
 - CPIS identified **additional** foreign assets of \$800 billion, 60% above estimates based on monthly reports.

History



- Institute of International Finance (“IIF”) urged that a more rigorous system be implemented:

“...private sector participants in these markets bear a responsibility for full and timely disclosure of information on their activities.”

History

- 2002 – First **annual, security-level**, surveys of foreign investments in U.S. securities and U.S. investments in foreign securities
- IMF response to imbalances between recorded assets and liabilities at the world level
 - Claims on the U.S. by reported by foreigners did not match Liabilities to foreigners reported by the U.S.

History

- 2002 – **First annual, security-level**, survey of foreign investments in U.S. securities and U.S. investments in foreign securities (cont.)
 - Reporting in 4 out of every 5 years is from largest reporters only
 - More nearly accurate information on the residence of the beneficial owner
 - Greater data quality resulting from security-level editing

History

- 2003 – External Debt Reporting System initiated by the IMF became operational
 - International financial crises in the late 1990s called attention to the importance of reliable and timely statistics on external debt as a critical element for the early detection of countries' external vulnerability.
 - IMF published a guide, including definitions, to standardize reporting for all participating countries.
 - IMF improved Reserve Asset reporting.

History

➤ Foreign ownership of U.S. Securities:

<i>Year</i>	<i>Overall</i>	<i>U.S. Treasury</i>
<i>1853</i>	19.0%	46.0%
<i>1974</i>	4.8%	14.7%
<i>1994</i>	8.2%	19.4%
<i>2008</i>	18.3%	61.1%
<i>2009</i>	18.0%	56.7%

➤ Flows of U.S. securities abroad are now much greater than bank lending flows.

Users of TIC Data



- Board of Governors of the Federal Reserve
- U.S. Treasury
- U.S. Department of Commerce
- The International Monetary Fund
- Private Sector Analysts
- Academic Researchers

Uses of TIC Data

- Primary input to the Bureau of Economic Analysis' International Transactions Accounts and the International Investment Position of the United States
- Indirect basis of the Federal Reserve Board's Flow of Funds accounts for financial positions and flows of the Rest of the World sector
- Computation of the U.S. Gross External Debt position, published as part of the International Monetary Fund's Special Data Dissemination Standard (“SDDS”)

Uses of TIC Data (cont.)

- Detailed data from the monthly and quarterly TIC forms are combined and presented in several tables in the Capital Movements section of the quarterly Treasury Bulletin
- Development of financial and monetary policy
- Development of fiscal policy
- Private research

For more information, see the websites of the U.S. Treasury and the Federal Reserve System Board of Governors.

Why Is This New Report Required?

- The recent global financial crisis has highlighted the importance of enhanced surveillance of the world economy by financial regulatory authorities.
- The international financial community has a heightened awareness of the importance of collecting economic and financial data.

Why Is This New Report Required?

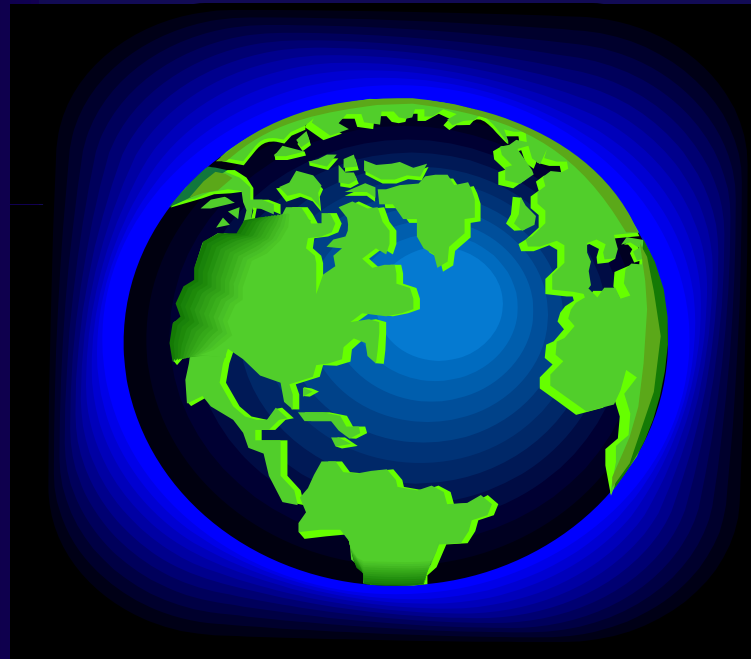
- More frequent and accurate data regarding each country's external claims and liabilities including monthly holdings of long-term securities, are required.
- TIC Form SLT will collect data **on holdings of long-term securities** on a monthly basis to ensure a more timely and accurate measurement of the aggregate holdings of long-term securities.

Why Is This New Report Required?

➤ **Benefits**

- Improve the preparation of the U.S. balance of payments accounts and the U.S. international investment position
- Assist in the formulation of U.S. international financial and monetary policies

Who Must Report



Gabriela Hill

Who Must Report

➤ Overview

- Types of U.S. persons that must report
- What is a U.S. resident
- General examples of U.S. residents
- What is a foreign resident
- General examples of foreign residents
- Specific examples of U.S.- and foreign-resident entities
- Factors that do not determine country of residence

Who Must Report

➤ **Overview (cont.)**

- What is a custodian
- What is an issuer
- What is an end-investor
- Consolidation Rules
- Exemption Level

Who Must Report (cont.)

- **Types of U.S. Persons That Must Report**
 - U.S.-resident custodians, including U.S.-resident central securities depositories (“CSDs”)
 - U.S.-resident issuers
 - U.S.-resident end-investors

Who Must Report (cont.)

➤ **What Is a U.S. Resident**

➤ Definition of United States

- The fifty states of the United States
- The District of Columbia
- The Commonwealth of Puerto Rico

Who Must Report (cont.)

➤ **What is a U.S. Resident (cont.)**

➤ Definition of United States (cont.)

- The Commonwealth of the Northern Mariana Islands
- American Samoa, Baker Island, Guam, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Island, Navassa Island, Palmyra Atoll, U.S. Virgin Islands, and Wake Island

Who Must Report (cont.)

➤ **What is a U.S. Resident (cont.)**

➤ U.S. entities **other than natural persons:**

- Corporation or any other type of entity incorporated or otherwise legally established or licensed under the laws of the United States, regardless of the actual center of economic activity of the entity and regardless of physical location of its offices.
- Any entity that files Internal Revenue Service (“IRS”) Form W-9

Who Must Report (cont.)

➤ What is a U.S. Resident (cont.)

- U.S. individuals: natural persons *domiciled* in the U.S.
 - Filers of IRS form W-9
 - Includes **resident** aliens

Use mailing address as a last resort, only if no IRS form is on file.

Who Must Report (cont.)

➤ **General Examples of U.S. Residents**

- U.S. Federal government and its agencies and sponsored organizations
- U.S. state and local governments and their agencies, instrumentalities, and sponsored organizations
- For-profit and not-for-profit organizations legally established in the U.S.

Who Must Report (cont.)

➤ **General Examples of U.S. Residents (cont.)**

- U.S.-licensed branches and agencies of foreign entities
- Subsidiaries and affiliates of foreign entities established under the laws of the U.S.
- Pension funds organized under U.S. laws, including those of international or regional organizations that are located in the U.S.
- U.S. military facilities which are offices of U.S. banks located in foreign countries

Who Must Report (cont.)

➤ **What Is A Foreign Resident**

- **Foreign entities other than natural persons:**
 - Corporations or any other types of entities legally established under the laws of foreign countries, regardless of the actual center of economic activity of the entity and regardless of physical location of its offices.
 - Filers of IRS Form W-8

Who Must Report (cont.)

➤ **What Is A Foreign Resident (cont.)**

- Foreign entities **other than natural persons** (cont.):
 - International and regional organizations and their agencies and instrumentalities, created by treaty or convention between sovereign states, even if physically located in the U.S.

Who Must Report (cont.)

➤ What Is A Foreign Resident (cont.)

➤ Foreign Individuals:

- Natural persons, including U.S. citizens *domiciled* outside of the U.S.
 - Filers of IRS form W-8
 - Includes nonresident aliens living in the U.S.
 - Use mailing address, only if no IRS form is on file.

Who Must Report (cont.)

➤ **General Examples of Foreign Residents**

- Foreign governments, their agencies, instrumentalities and sponsored organizations
- For-profit and not-for-profit organizations legally established in a foreign country
- Foreign branches/agencies/offices established under the laws of a foreign country owned by U.S.-resident entities

Who Must Report (cont.)

➤ **General Examples of Foreign Residents** **(cont.)**

- Embassies, consulates or other diplomatic establishments and their staffs, even if physically located in the U.S.
 - Country of residence is the country of the government that they represent.

Who Must Report (cont.)

➤ **Specific Examples of U.S.- and Foreign-Residents:**

➤ **U.S. residents**

- NY Branch of UBS AG
- Ford Motor Company
- BP America, Inc.
- Toyota Motor Credit Corp.

➤ **Non-U.S. residents**

- Tokyo Branch of Bank of New York Mellon
- Vodafone Group, p.l.c.
- Wal-Mart Canada
- International Monetary Fund
- European Investment Bank

Who Must Report (cont.)

-
- **Factors that do not Determine Country of Residence**
 - Country of nationality/citizenship
 - Country of the top entity in an organization
 - Name of the company
 - Physical location of the office of the entity
 - Country where most of the business activity of the entity is conducted

Who Must Report (cont.)

➤ **What is a Custodian**

- A bank or other entity that is legally responsible for the safekeeping of stock certificates, debt securities, or other assets for institutional and private investors

Who Must Report (cont.)

➤ **What is a Custodian**

➤ Central Securities Depository

- An entity that holds securities, either in certificated or un-certificated (dematerialized) form, to enable the transfer of ownership of securities

Who Must Report (cont.)

- **What is a Custodian (cont.)**
 - Central Securities Depository (cont.)
 - Depositories are not necessarily custodians, since they may be responsible only for registering and settling security transactions.
 - The major U.S. depository is Depository Trust and Clearing Corporation (“DTCC”).

Summary of Custodial Reporting Responsibilities

➤ **U.S.-resident custodians report:**

- U.S. securities they hold in custody (or manage the safekeeping of) for the account of foreign residents (including their own foreign branches, subsidiaries, and affiliates)
- Foreign securities they hold in custody (or manage the safekeeping of) for the account of U.S.-residents
- Foreign securities held for their own account, even if the foreign securities are then transferred to a foreign custodian for safekeeping

Summary of Custodial Reporting Responsibilities

- **U.S.-resident custodians report (cont.):**
 - All reportable securities for which the custodian *uses a U.S.-resident sub-custodian* that does not know the identity of the actual investors
 - All U.S. securities that they hold in custody (or manage the safekeeping of) directly on behalf of foreign residents with which they have established direct relationships, including foreign-resident brokers, dealers, exchanges, and central securities depositories

Summary of Custodial Reporting Responsibilities

- **U.S.-resident central securities depositories report:**
 - *U.S. securities* held in custody or managed in safekeeping directly on behalf of foreign residents with which they have established direct relationships, including foreign-resident brokers, dealers, exchanges, and CSDs
- **U.S.-resident sub-custodians report:**
 - U.S. securities held for foreign residents and foreign securities held for U.S. residents, **if the U.S.-resident custodian fully discloses the identity of the client to the sub-custodian**

Summary of Custodial Reporting Responsibilities

- **U.S.-resident investment managers, effectively acting as custodians, report:**
 - U.S. securities owned by foreign-resident clients held in **omnibus accounts** in the U.S. manager's name
 - Foreign securities owned by U.S.-resident clients held in **omnibus accounts** in the U.S. manager's name

Contact the FRB NY to discuss prevention of double counting of foreign securities.

What is a U.S.-Resident Issuer

- **Any U.S. person that issues securities:**
 - Financial organizations (depository and non-depository)
 - Non-financial organizations
 - Governments, their agencies, their sponsored enterprises and instrumentalities
 - Sponsors/managers/advisors of funds and other investment vehicles, **as representatives of issuers**
 - Trustees or beneficiaries of special purpose vehicles (“SPVs”), special purpose entities (“SPEs”), variable interest entities (“VIEs”) or equivalent entities, **as representatives of issuers**

Reporting Responsibilities of U.S.-Resident Issuers

➤ U.S.- resident issuers report:

- Securities that are owned by foreign residents for which neither a U.S.-resident custodian nor a U.S.-resident CSD is used
 - Transfer or paying agents should be able to provide the U.S.-resident issuer this information.
- Book-entry securities that are held at foreign-resident CSDs
- Bearer securities
- Equity interests and debt issued directly to, or placed directly with, foreigners (*e.g.*, a U.S.-based master fund issues shares to a foreign feeder fund)

Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing the U.S. Issuer

➤ **Reports as representative of all the U.S. funds that it manages/sponsors:**

- All equity interests in, or securities issued by, those U.S. funds that are held/owned by foreign residents and for which there is no U.S.-resident custodian or U.S.-resident CSD involved
- The fund manager/sponsor *represents* those funds as issuer for purposes of the TIC reports.

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing a U.S.-Resident Fund as Issuer

- A U.S. investment manager creates a U.S. Master Fund with a Cayman Feeder Fund and a U.S. Feeder fund. The investments that the Cayman Feeder Fund has in the U.S. Master Fund should be reported, on behalf of the U.S. Master Fund, by the investment manager on the TIC SLT report as foreign ownership of U.S. equities...

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing a U.S.-Resident Fund as Issuer **without U.S. Custodian**

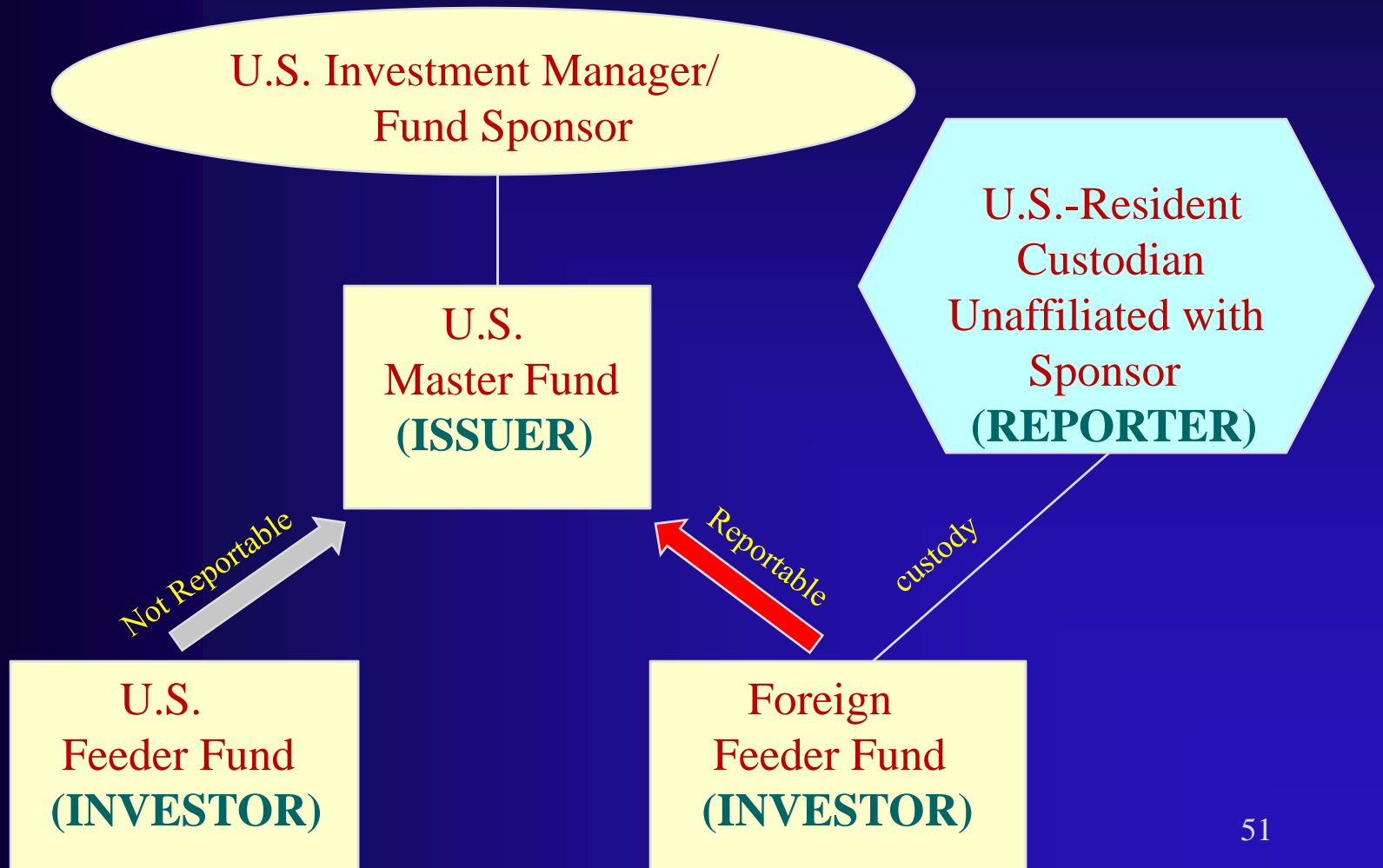


Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing U.S.-Resident Funds as Issuer

unless a U.S.-resident custodian holds the interests of the Cayman Feeder Fund in the U.S. Master Fund.

In that case, the U.S. custodian would have the reporting responsibility.

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing a U.S.-Resident Fund as Issuer with U.S. Custodian



What is an End-Investor



- An entity that acquires or relinquishes securities for its own account (for trading, investment, or any other purposes) or invests on behalf of others, including asset pools.

Examples of End-Investors

- Managers/sponsors of funds, including government and private pension funds
- Insurance companies
- Foundations and other non-profit organizations
- Institutions of higher learning, including their endowments
- Trusts and estates
- Venture capital companies
- Private equity companies
- Non-financial companies that produce goods/services

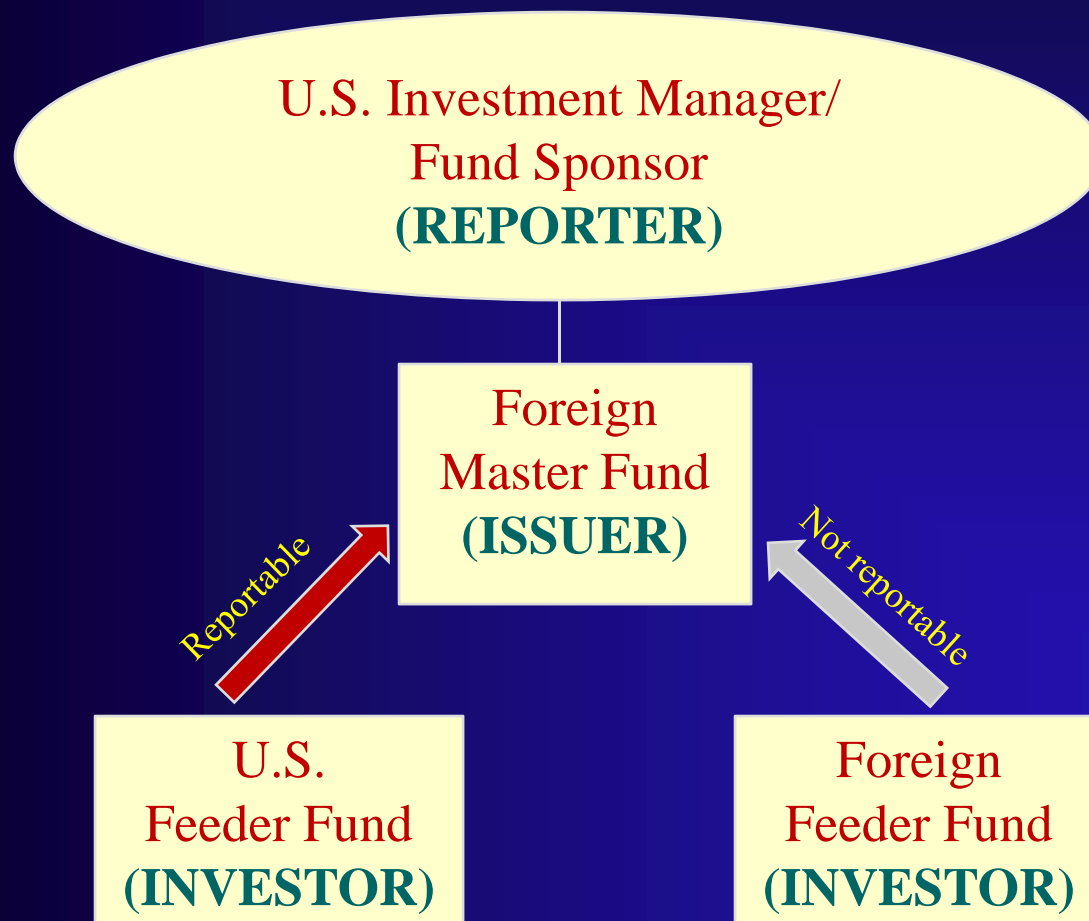
Reporting Responsibilities of an End-Investor

- **U.S.- resident end-investors report:**
 - All foreign securities owned by U.S.-resident clients and by the U.S.-resident parts of their own organizations that are not held by U.S.-resident custodians that know the identity of the investors
 - Exclude any foreign securities owned by foreign-resident parts of their organizations and by foreign clients

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing U.S.-Resident Funds as End-Investor

- A U.S. investment manager creates a Cayman Master Fund with a U.S. Feeder Fund and a Cayman Feeder fund. The investments that the U.S. Feeder Fund has in the Cayman Master Fund should be reported, **on behalf of the U.S. Feeder Fund**, by the investment manager on the TIC SLT report as U.S. ownership of foreign equities...

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing U.S.-Resident Funds as End-Investor without U.S. Custodian



Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing U.S.-Resident Funds as End-Investor

unless a U.S.-resident custodian holds the interests of the U.S. Feeder Fund in the Cayman Master Fund.

In that case, the U.S. custodian would have the reporting responsibility.

Example of Reporting Responsibilities of a U.S.-Resident Investment Manager/Fund Sponsor Representing U.S.-Resident Funds as End-Investor with U.S. Custodian



Consolidation Rules

➤ Who is the Reporter

- **The top U.S. entity in each organization reports on behalf of all U.S.-resident entities within its organization:**
 - Top U.S.-resident bank holding companies (“BHCs”)
 - Top U.S.-resident financial holding companies (“FHCs”)
 - U.S.-resident entities that are not consolidated another U.S.-resident company
 - Investment advisors and fund managers/sponsors

Consolidation Rules

➤ **What is Consolidated**

- All entities consolidated under U.S. GAAP (ASC 810)
 - U.S.-resident branches
 - U.S.-resident offices
 - U.S.-resident subsidiaries
 - U.S.-resident trusts, special purpose entities (“SPEs”), special purpose vehicles (“SPVs”) and variable interest entities (“VIEs”)

Consolidation Rules

➤ What is Consolidated

- U.S.-resident entities created/sponsored/managed by the reporting entity that may not be consolidated under U.S. GAAP (ASC 810)
 - Trusts
 - Funds/commingled accounts
 - SPEs, SPVs, and VIEs
 - Venture capital companies
 - Private equity companies

Consolidation Rules

➤ **Do not consolidate:**

- Pension funds for the employees of your company
- Foundations and endowments set-up/
sponsored/funded by your company

These entities should report separately if they are not exempt.

Reporting Responsibility

- If your organization has pension funds for its employees or charitable foundations that you believe would meet the reporting criteria for the SLT, it is your obligation to notify them of their potential reporting responsibilities.
- If they do not currently meet the reporting criteria, they must monitor their investments and be prepared to report in the future.

Exemption and Reporting Frequency

- If the market value of all U.S. and foreign securities reportable as custodian, issuer and/or end-investor, combined, is less than US \$1 billion, an organization is exempt from filing the TIC SLT.

Exemption and Reporting Frequency

➤ How to Calculate Exemption

Sum the US \$ fair market value of reportable securities on the last business day of the quarter/month:

➤ As Custodian:

➤ U.S. securities held for foreign-resident investors

Plus

➤ Foreign securities held for U.S.-resident investors

Plus

Exemption and Reporting Frequency

➤ How to Calculate Exemption (cont.)

➤ As Issuer:

- U.S. securities held directly by foreign investors or through foreign-resident custodians or foreign-resident CSDs

Plus

➤ As end-investor:

- Foreign securities held directly or through foreign-resident custodians or foreign-resident CSDs

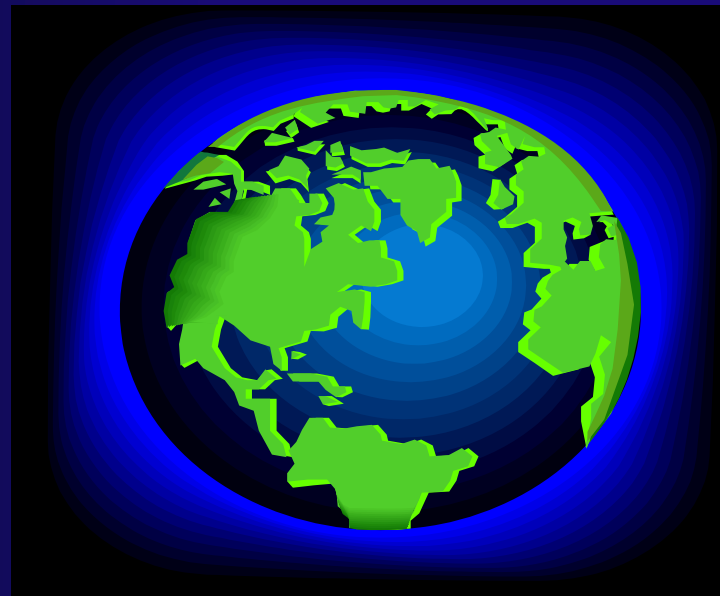
Exemption and Reporting Frequency

- Your organization is **not exempt** if the market value of all U.S. and foreign securities reportable as custodian, issuer and/or end-investor, combined, equals or exceeds US \$1 billion.
- If an organization ceases to have at least US \$1 billion in reportable securities at some time after filing the TIC SLT, the organization must continue to submit a report for each remaining quarter/month in that calendar year, regardless of the total market value of reportable securities held in any subsequent quarter/month.

Exemption and Reporting Frequency

- In 2011, the TIC SLT must be reported **quarterly** as of the last business day of the quarter starting with June 30, 2011.
- Beginning 2012, the reporting requirement will be **monthly** as of the last business day of the month.

Types of Securities Reportable on the TIC SLT



Dawn Nannery

Overview



- General types of securities
- Define long-term
- Debt securities
- Equity securities
- Repurchase/resale agreements and securities lending/borrowing transactions
- General exclusions

Reportable Securities



- **Long-term portfolio** securities issued by U.S.-residents that are owned by foreign residents
 - U.S. debt securities (including asset-backed debt securities)
 - U.S. equities

Reportable Securities (cont.)

- **Long-term portfolio** securities issued by foreign residents that are owned by U.S. residents
 - Foreign debt securities (including asset-backed debt securities)
 - Foreign equities

What is Long-term?

- Term (short-term or long-term) is based on the original maturity of the security.
 - Original maturities of one year or less are short-term and are **excluded** from the SLT
 - Original maturities of greater than one year are long-term and are **reported** on the SLT.

What is Long-term?

➤ **Term Examples:**

- A U.S. Treasury bill issued on June 1, 2011 and maturing on December 31, 2011 is short-term and excluded from the SLT.
- A bond issued 30 years ago that matures on December 31, 2011 is long-term and reported on the SLT.

What is Long-term?

- Debt securities with multiple call options (multiple maturity dates) are long-term if any of the maturity dates is greater than one year from the date of issue.
 - Perpetual debt is long-term.
 - All equity securities are long-term.

Debt Securities

- **Debt Security:** a financial instrument **not directly negotiated** between a borrower and a lender that represents an obligation to repay borrowed funds according to specific conditions, possibly including the payment of interest
 - ❖ REPORTABLE ON THE TIC SLT
- **Loan:** a contract **directly negotiated** between a borrower and a lender evidencing an obligation to repay borrowed funds according to specific conditions, possibly including payment of interest
 - ❖ NOT REPORTABLE ON THE TIC SLT

Long-Term Debt Securities

➤ **Examples:**

- bonds and notes (stripped and unstripped)
- debentures
- convertible debt (with attached warrants)
- zero coupon and discount securities
- index-linked debt securities
- floating rates notes (“FRN”)
- sinking fund debt
- asset-backed securities (“ABS”)

Stripped Debt Securities

- Securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon securities
- They have a range of maturities matching the coupon payment dates and the redemption date of the principal amount of the original security.

Stripped Debt Securities

- Country of the stripped security is the residence of the issuer of the stripped security, **not** the residence of the issuer of the underlying security.

This is the general rule for determining the country of securities.

Stripped Debt Securities

➤ Country Examples:

- A U.S. Treasury strip issued by a New York broker is classified as a U.S. security.
- A U.S. Treasury strip issued by a Tokyo broker security is classified as a foreign security.

Stripped Debt Securities

➤ Issuer Type for Stripped Securities

➤ the issuer type of the issuer of the underlying security

- For strips issued by a U.S. entity, the issuer type is relevant.
- For strips issued by a foreign entity, the issuer type is not relevant.

Stripped Debt Securities

- All STRIPS, CATS, TIGRS, COUGARS, and LIONS should be classified as U.S. Treasury securities with an issuer type of U.S. Treasury.
- All of **these** are issued by U.S. entities.

Stripped Debt Securities Example

- U.K. Company A owns \$100 million of U.S. bonds. U.K. Company A issues stripped securities for which these U.S. bonds are the underlying securities. U.S. Company B purchases these stripped securities.
- What should be reported by the U.S. custodians for Company A and Company B?

Stripped Debt Securities

Example Answer

- U.K. Company A owns \$100 million of U.S. bonds. U.K. Company A issues stripped securities where these U.S. bonds are the underlying securities. U.S. Company B purchases these stripped securities.
 - What should be reported by the U.S. custodians for Company A and Company B?
 - **U.K. Company A's U.S.-resident custodian reports the \$100 million of U.S. bonds.**
 - **U.S. Company B's U.S.-resident custodian reports the holdings of the foreign stripped securities.**

Asset-Backed Securities

- Securitized interests in a pool of assets, which give the purchaser a claim against the cash flows generated by the underlying assets
 - Includes stripped ABS

Asset-Backed Securities



- Reportable asset-backed securities include:
 - collateralized mortgage obligations (“CMOs”)
 - collateralized bond obligations (“CBOs”)
 - collateralized loan obligations (“CLOs”)
 - collateralized debt obligations (“CDOs”)

Asset-Backed Securities

- Reportable ABS include (cont.):
 - other securities backed by:
 - mortgages
 - credit card receivables
 - automobile loans
 - consumer and personal loans
 - commercial and industrial loans
 - other assets

Asset-Backed Securities

- The **residence** of the entity securitizing the assets determines whether the ABS is a U.S. or foreign security.
 - The residence of the issuer of the underlying security does **not** determine the country of the ABS.

This is the general rule for determining the country of a security .

Asset-Backed Securities

- ABS may be **stripped** into Principal Only (“PO”) and Interest Only (“IO”) Securities.
 - If ABS is stripped, then the **residence** of the IO and PO ABS securities is the **residence of the entity that created the stripped securities.**

Reportable Debt Securities that are not ABS

- Sinking-fund debt (“Sinker”)
 - A debt security on which the interest and principal payments are made from a sinking fund
 - Exclude these from the Of Which rows for ABS

Reportable Debt Securities that are not ABS

- Debt Only Collateralized by Assets (real or financial)
 - Only gives the investor a claim against the underlying assets if the issuer defaults
 - Exclude these from the Of Which rows for ABS

Equities



- Instruments representing an ownership interest in a company
- However, ownership interests representing direct investment are not reportable.

Equities

Direct Investment is not reportable

- Direct investment is defined as ownership or control of 10% or more of an organization's voting stock or equivalent instruments evidencing ownership with voting rights.

Direct investments are reportable to the U.S. Department of Commerce, Bureau of Economic Analysis.

Equities

- Reportable equity securities include:
 - common stock
 - preferred stock
 - restricted stock
 - depositary receipts/shares
 - equity interests in funds and similar investment vehicles
 - equity interests in limited partnerships and other types of companies that do not issue shares or stock

Funds



- All investment vehicles that pool investors' money and invest the pooled money in one or more of a variety of assets
 - Could be any form of business organization including corporations, LPs, LLPs, trusts, LLCs, etc.

Funds

➤ **Examples:**

- closed-end and open-end mutual funds
- real estate investment trusts (“REITs”)
- money market funds
- index-linked funds
- investment trusts
- exchange traded funds (“ETFs”)
- common trust funds
- hedge funds, private equity companies, and venture capital companies

Funds

➤ **Determining Country of Residence**

- Whether equity interests in a fund are considered **U.S. or foreign** securities is based on the country in which the fund is legally established.
- It is **not based** upon the type of assets in which the fund invests, the country of residence of the issuer of the securities purchased by the fund, or the currency of denomination of the security.

Funds

➤ **Examples of Fund Country**

- A fund organized under the laws of New York State that only invests in Japanese securities issued in Japanese Yen is considered a U.S. fund.
- A fund organized under the laws of Japan that only purchases U.S. Treasury securities is a foreign-resident fund.

Funds

➤ **How to report Funds on the TIC SLT**

- By the U.S. custodian or U.S. issuer:
 - Foreign residents' ownership of equity interests in funds legally established in the U.S.
 - Foreign-resident funds' ownership of U.S. securities

Funds



➤ **How to report Funds on the TIC SLT (cont.)**

- By the U.S. custodian or U.S. end-investor:
 - U.S. residents' ownership of equity interests in funds legally established under the laws of a foreign country

Equity Interests in Limited Partnerships (and other entities that do not issue shares/stock)

- Equity interests in limited partners (“LPs”) and other companies that do not issue shares/stock (*i.e.*, limited liability partnerships (“LLPs”), limited liability companies (“LLCs”), and master LPs (“MLPs”)) are considered securities in the TIC system.
- Since LP interests do not usually have voting rights, even those interests representing 10% or more of the non-voting equity interests are reportable.

Depository Receipts/Shares

- Depository receipts/shares are certificates representing ownership of foreign equity securities.
- Includes American depository receipts (“ADRs”) or bearer depository receipts

Depository Receipts/Shares

- Although ADRs are issued by U.S. entities, these instruments are the **only exception to the country rule** and are considered foreign securities.
 - Country of the ADR is the country of residence of the **issuer of the underlying foreign securities**, not the issuer of the depository receipt.
 - U.S. issuers of depository receipts/shares should **not** report their ownership of the underlying foreign securities.

Equities Exclusions

➤ **Exclude from equities:**

- convertible debt - reported as debt securities instead
- ownership that represents general partner interests and other direct investments
- rights and warrants

Repurchase Agreements and Securities Lending Arrangements

- Repurchase agreements/securities lending arrangements and reverse repurchase agreements/securities borrowing arrangements involve the temporary transfer of a security for cash or another security as collateral.
 - Securities sold or lent under such agreements should be reported by the original owner as if continuously owned.
 - Securities acquired or borrowed under such agreements are not reportable.

General Exclusions

➤ **Exclude the following from the TIC SLT:**

- Short-term securities (including commercial paper)
- All deposits (including all short-term and long-term negotiable CDs)
- Bankers' acceptances and trade acceptances
- Derivative contracts
- Loans and loan participation certificates
- Letters of credit

General Exclusions (cont.)

➤ **Exclude the following from the TIC SLT (cont.):**

- Precious metals and currencies
- Annuities (including variable rate annuities)
- Direct investments
- Securities received as collateral, securities borrowed under repurchase agreements

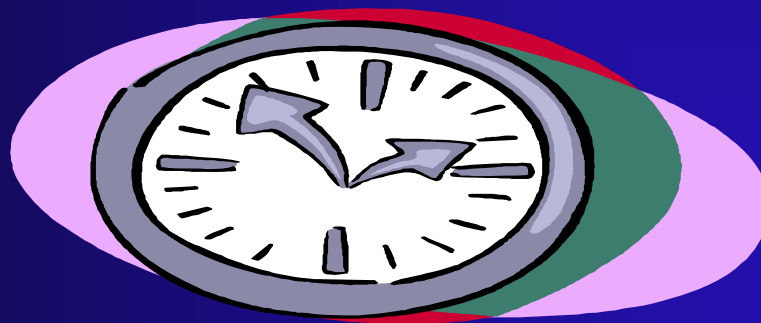
General Exclusions (cont.)

➤ **Exclude the following from the TIC SLT (cont.):**

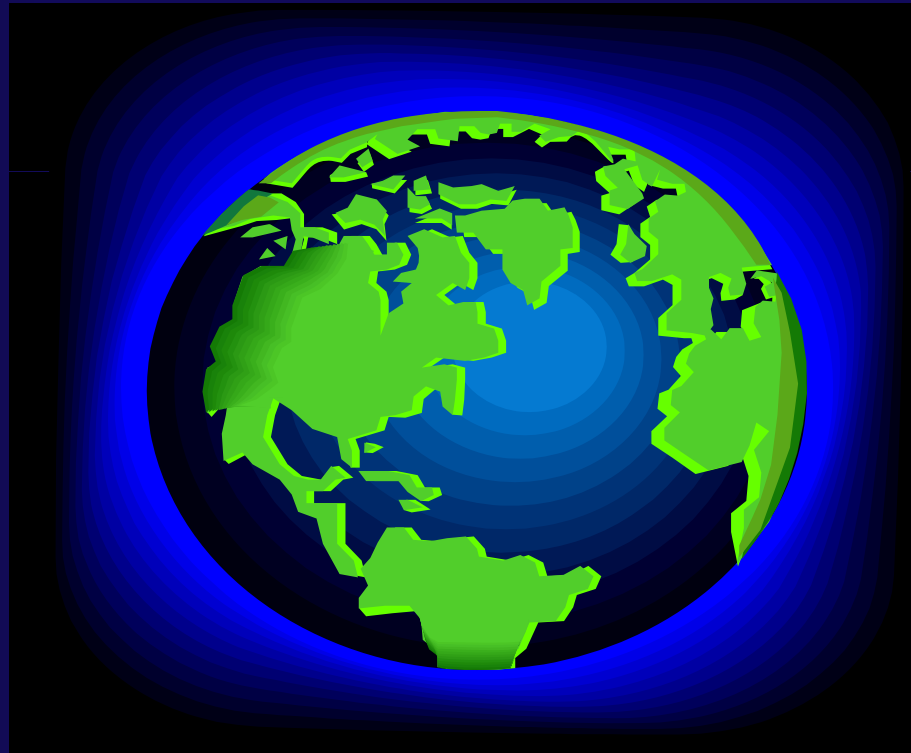
- Guaranteed Investment Certificates (“GICs”) and Synthetic GICS
- State and Local Government Series (“SLGS”)
 - These are U.S. Treasury securities that can only be owned by U.S. state and local governments.

TIC SLT

BREAK



The TIC SLT Form



Lois Burns

SLT Cover Page

- Full legal name of the top U.S.-resident entity in the organization
- Ten-digit ID Number assigned by FRBNY

To obtain an ID, please call 212-720-6300 or email SHC.HELP@NY.FRB.ORG

Be sure to include leading zeroes.

SLT Cover Page

➤ As of date of the report (MMDDYYYY)

➤ Contact name

Preparer or supervisor of the preparation of the report

➤ Name, title and signature of officer authorized to sign the report (certifier)

Person legally responsible for its accuracy

Which Part to File

- Part A is filed by U.S.-resident custodians and central securities depositories.
- As already mentioned, a custodian is an entity that is legally responsible for the management of the custody or safe-keeping of debt or equity securities or other assets for institutional or private investors.

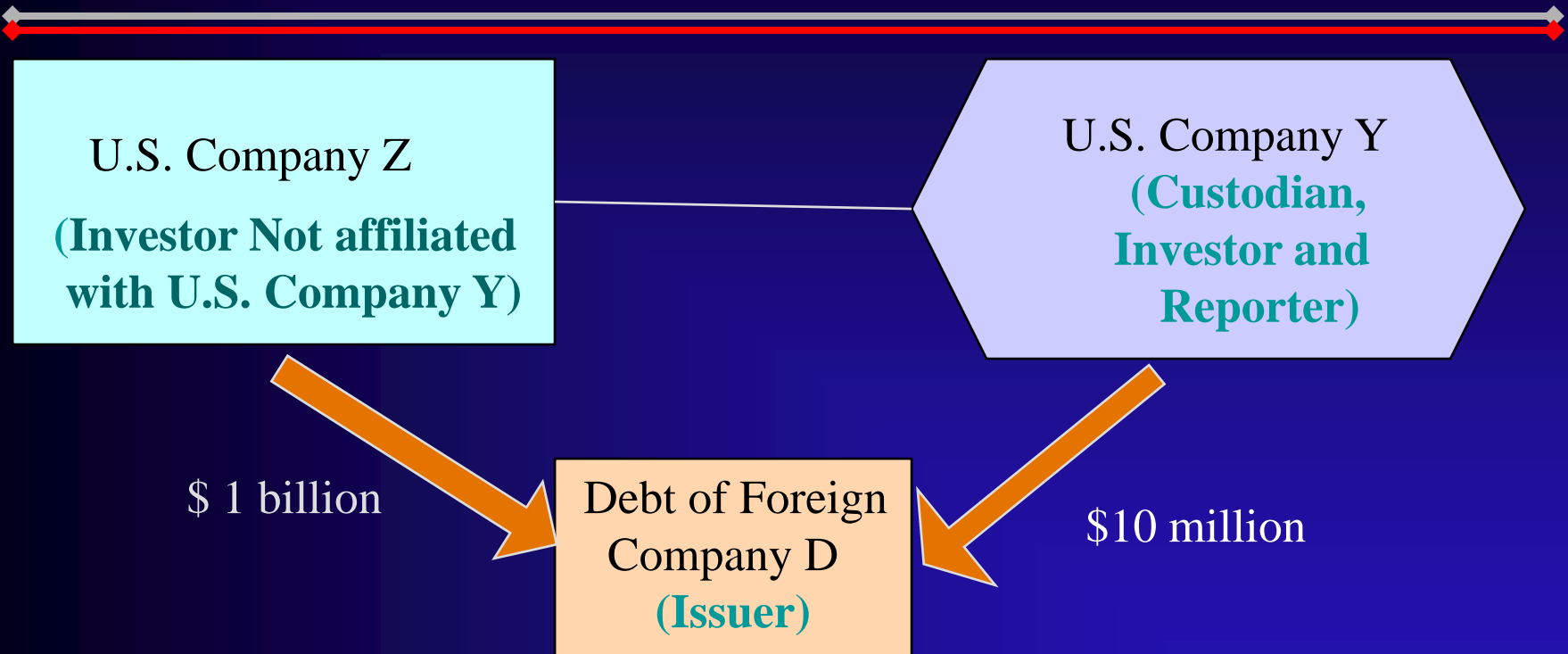
Which Part to File

- Part B is filed by U.S.-resident issuers of securities or by U.S.-resident end-investors.
 - As already mentioned, an end-investor is any entity that acquires or relinquishes securities for its own account or the accounts of its clients.
 - Investment advisors/managers report as representatives of their clients as end-investor and/or as representatives of investment vehicles they manage/sponsor, as issuer.

Which Part to File

- Both Part A, if there is a custodian in the organization, and Part B if the custodian and/or another U.S. part of the consolidated organization is an end-investor in, and/or issuer of, securities.
 - If the only role that an organization has with respect to a security or a portion of a security is as custodian, then it should report the security in Part A.
 - If the organization is custodian for securities in which it is also the end-investor, or of which it is the issuer, then it should report those securities only on Part B.

Which Part to File



The U.S. Company Y reports \$1 billion on Part A as custodian for U.S. Company Z and \$10 million on Part B as end-investor.

_____ indicates custodial relationship

Which Part to File

U.S. Company N
(Issuer and Reporter)

Euroclear

U.S. Company N reports all on Part B.

_____ indicates custodial relationship

Which Part to File



DTCC reports all on Part A.

_____ indicates custodial relationship

Parts A and B

- Rows and columns in both parts are exactly the same.
- The difference between Parts A and B is only in the role of reporter with respect to the securities.
- All market values are in millions of US \$
 - Round to the nearest million – no decimals

Parts A and B

➤ Headers

- If a part is not applicable to your organization, check the Not Applicable line on **each** page.
- Provide the full legal name of the reporter, the id number, and the as of date on **each** page, even if the rest of the page is blank.
 - You may need to submit revisions to data for prior reporting periods.

Columns in Parts A and B



- The columns represent the allocation of the market values by:
 - general type of the holder,
 - general type of issuer, and
 - general type of security (debt, including asset-backed securities, or equities).

Columns in Parts A and B

- Foreign Official Institutions (“FOIs”)
 - Foreign national governments
 - International or regional organizations
 - Other FOIs, including sovereign wealth funds

<http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/foi608.pdf>

Columns in Parts A and B



- All other foreigners (“non-FOIs”)
 - Most agencies and sponsored enterprises of national foreign governments
 - Foreign sub-national governments and their agencies and government-sponsored entities
 - All other foreign residents, public and private

Columns in Parts A and B



- U.S. securities owned by foreign residents
 - For each type of issuer of U.S. debt and for U.S. equities, these general types of foreign holder are required:
 - FOI holders
 - All other foreigners

Columns in Parts A and B

- U.S. securities owned by foreign residents
 - U.S. Federal Government (Treasury and Federal Financing Bank (“FICO”))
 - U.S. Federal agency (issuer or guarantor is a Federal government-sponsored enterprise or agency)

For a list of Federal agencies, see the instructions for the SHL(A) on the Treasury website.

- All other U.S.-resident issuers, including state, local and municipal governments

Columns in Parts A and B

- U.S. securities owned by foreign residents
 - For U.S. debt stripped by U.S. entities, issuer type is the issuer type of the issuer of the underlying U.S. securities.
 - This is the only exception to the general rule that the issuer type associated with a security is the type of the entity that actually issues the security.

Columns in Parts A and B




- U.S. securities owned by foreign residents
(cont.)
 - U.S. equities
 - Excludes ADRs
 - Grand total of all U.S. securities owned by foreign residents

Columns in Parts A and B

- Foreign securities owned by U.S. residents
 - Foreign government bonds are those issued by FOIs
 - Foreign corporate and other bonds are those issued all other foreign resident issuers (non-FOIs)
 - Foreign equities
 - Includes ADRs

Columns in Parts A and B

- 
- Foreign securities owned by U.S. residents (cont.)
 - Grand total of foreign securities owned by U.S. residents

Rows in Parts A and B

- The rows represent the allocation of the fair market value of the securities by:
 - foreign economies, organizations, and issuers
 - certain types of securities
 - certain types of U.S. issuers
 - certain types of the U.S. holders

Rows in Parts A and B

➤ Foreign Economies, Organizations, and Issuers

- Codes for foreign holders of U.S. securities or foreign issuers of securities held by U.S. residents.
- The same codes are used for all TIC quarterly and monthly reports.

See the Geographic Classification document at <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/fctry-june2006.pdf> for the latest.

Rows in Parts A and B

- Foreign Economies, Organizations, and Issuers (cont.)
 - Generally, these correspond the country of residence of the issuer or holder.
 - A few international institutions, such as the Bank for International Settlements and the Eastern Caribbean Central Bank, have their own, individual codes.

Rows in Parts A and B

- Foreign Economies, Organizations, and Issuers (cont.)
 - Most international and regional organizations have a group code, such as International or Asian.
 - There is a code for country unknown, 8886-2.

Country unknown is applicable only to bearer securities for which there is no known holder of record.

For “bearer” global notes not held in certificated form, the nominee for the central securities depository would be considered the holder of record.

Rows in Parts A and B

- Foreign Economies, Organizations, and Issuers (cont.)
 - Sub-totals
 - typically based on continents or other geophysical areas
 - group total for international and regional organizations that are not reported individually
 - Grand total of all foreign economies, organizations, and issuers

Rows in Parts A and B

- Three categories of “Of-which” rows
 - Two “Of-which” rows for selected types securities
 - Four “Of- which” rows for securities issued by certain types of U.S. institutions by type of foreign holder
 - Three “Of-which” rows for foreign securities owned by certain types of U.S. holders

Rows in Parts A and B



- Of Which by Type of Security
 - Asset-backed securities:
 - for U.S. securities by type of U.S. issuer (Federal agency and all other) and by type of foreign holder (FOI and non-FOI) and the grand total
 - for all foreign securities by type of foreign issuer (FOI and non-FOI) and the grand total

Rows in Parts A and B

- Of Which by Type of Security (cont.)
 - Fund shares:
 - for U.S. securities by type of foreign holder (FOI and non-FOI) and a grand total
 - for all foreign securities and a grand total

Rows in Parts A and B

- Of Which by Type of U.S. Issuer
 - Depository institutions:
 - Commercial, savings, cooperative, and industrial banks
 - U.S. branches and agencies of non-U.S. banks
 - Building or savings and loan or homestead associations
 - Banking Edge Act and Agreement Corporations
 - Credit unions, including those sponsored by state, local or municipal governments

Rows in Parts A and B

- Of Which by Type of U.S. Issuer (cont.)
 - Other financial organizations:
 - Securities brokers/dealers
 - Bank holding companies and financial holding companies
 - Investment banks
 - Pension/retirement funds

Rows in Parts A and B

- Of Which by Type of U.S. Issuer (cont.)
 - Other financial organizations (cont.):
 - Private equity and venture capital companies
 - Funds and equivalent pooled investment vehicles
 - Mutual funds, including money market funds and exchange traded funds
 - Hedge funds

Rows in Parts A and B

- Of Which by Type of U.S. Issuer (cont.)
 - Other financial organizations (cont.):
 - Insurance companies
 - Credit card issuers
 - Mortgage originators
 - Investment advisory/management companies
 - Commodities and stock exchanges
 - Finance company subsidiaries of non-financial institutions
 - SPEs, SPVs, and VIEs

Rows in Parts A and B

- Of Which by Type of U.S. Issuer (cont.)
 - Non-financial organizations:
 - Companies producing goods and non-financial services
 - Manufacturers, distributors and retailers
 - Media and information companies
 - Charitable/non-profit organizations
 - Utility companies
 - Transportation providers
 - Includes institutions sponsored by state, local and municipal governments, such as water or transportation authorities, when their securities are not obligations of their government sponsors

Rows in Parts A and B

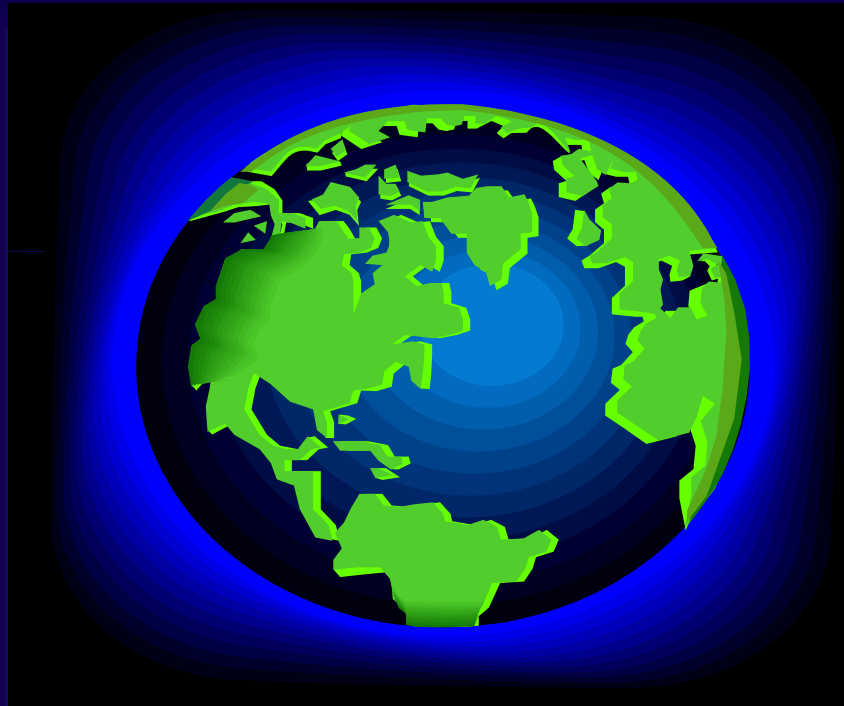
- Of Which by Type of U.S. Issuer (cont.)
 - State and local general governments:
 - Includes municipalities and instrumentalities of governments
 - The securities must be a liability of the government such as general revenue bonds or obligations.
 - As already mentioned, this **excludes** financial and non-financial institutions sponsored by state, local and municipal governments, such as credit unions and utilities, because their securities are not obligations of their government sponsors.

Rows in Parts A and B



- Of Which by Type of U.S. Holder
 - Depository Institutions
 - Other financial organizations
 - Non-financial organizations

How To Check Your Data



Lois Burns

How To Check Your Data

- Complete the correct portion of the report.
 - Part A (as U.S.-resident custodian) or
 - Part B (as U.S.-resident issuer or as end-investor) or
 - Both Part A and Part B
- Provide complete as-of date: MMDDYYYY.
- Be sure your Respondent ID is on the SLT panel.
 - Call the FRBNY, if you don't have one.
- Avoid using country unknown.

How To Check Your Data

➤ **Check prior to Submission:**

- No negatives and no decimals
- The subtotals of the columns of a row should = the sum of the components of the columns.
- The subtotals for groups of economies, organizations and issuers should = the sum of the components.

How To Check Your Data

➤ **Check prior to Submission: (cont.)**

- The Grand Total columns = the sum of the subtotal columns.
- The sum of the columns in the Of Which By Security Type are \leq the corresponding Grand Total columns.
- The sum of the Of Which By Type of U.S. Issuer = the corresponding Grand Total.

How To Check Your Data

➤ Check prior to Submission: (cont.)

➤ For each row in Parts A & B:

- Long-term U.S. Securities Owned by Foreign Residents



Column 9 (Grand Total) is the sum of columns 1-8

- Long-term Foreign Securities Owned by U.S. Residents



Column 13 (Grand Total) is the sum of columns 10-12

Comparison of the TIC SLT to the Other TIC Reports



Lois Burns

Differences Between the TIC SLT and Other TIC Reports

- Types of differences
 - Value of transactions vs. value of positions
 - Measurement: face value vs. market value
 - Specific types of claims and liabilities reported
 - Level of aggregation
 - Frequency
 - Consolidation rules/Who is the Reporter
 - Exemption rules
 - Requirement to submit revisions

Differences Between the TIC SLT and Other TIC Reports

- TIC SLT: aggregate market value of cross-border holdings of long-term portfolio securities, excluding negotiable certificates of deposit (“CDs”)
 - TIC Bs: aggregate *face values* of cross-border holdings of *short-term securities and all negotiable CDs*
 - TIC Cs: aggregate *liabilities* to, and *claims* on, unaffiliated foreign residents
 - *includes only short-term securities and all loans, deposits, and other financial obligations such as accounts receivable*

Differences Between the TIC SLT and Other TIC Reports

- TIC SLT: aggregate market value of cross-border holdings of long-term portfolio securities, excluding negotiable CDs
 - TIC S Report: the aggregate market value of *purchases* and *sales* [transactions] of long-term portfolio securities by foreigners with U.S. residents
 - Excludes negotiable CDs
 - Transactions per month, not positions at a point in time
 - Data reflects location of the counter-parties to the transaction, not the residence of the beneficial owner.

Differences Between the TIC SLT and the Other TIC Reports

- TIC SLT: aggregate market value of cross-border holdings of long-term portfolio securities, excluding negotiable CDs
 - TIC SHL(A): detailed, *security-level*, market values of foreign residents' holdings of *short-term* and long-term cross-border portfolio securities
 - TIC SHC(A): detailed, *security-level*, market values of U.S.-residents' holdings of *short-term* and long-term cross-border portfolio securities

Reports Used for Comparison

- SHL(A) - The Report of Foreign-Residents' Holdings of U.S. Securities, Including Selected Money Market Instruments
- SHC(A) - The Report of U.S. Ownership of Foreign Securities, Including Money Market Instruments

TIC SLT Compare to TIC SHC(A) and SHL(A)

➤ TIC SLT vs. TIC SHL(A)

- Treasury Securities and Federal Financing Notes
- Bonds of U.S. Government Corporations and Federally Sponsored Agencies
- U.S. Corporate Bonds and Other Bonds
- U.S. Equities

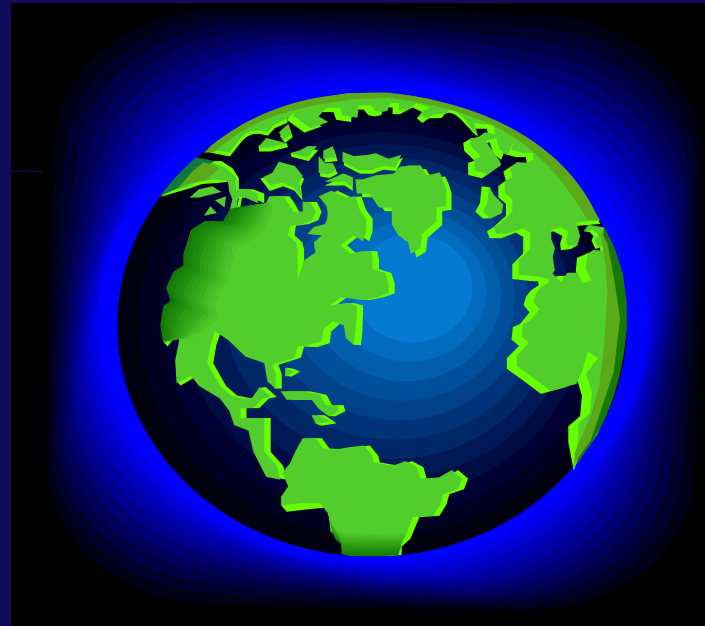
➤ TIC SLT vs. TIC SHC(A)

- Foreign Government Bonds
- Foreign Corporate and Other Bonds
- Foreign Equities

TIC SLT Compare to TIC SHC(A) and SHL(A)

- TIC SLT items that have no corresponding fields on SHL(A) and SHC(A) cannot be exactly compared:
 - Type of U.S. issuer for the Of Which rows
 - Type of Foreign Issuer
 - Type of U.S. holder for Of Which rows

Submitting the TIC SLT



Marc Plotsker

Submitting the TIC SLT

➤ Paper Submission

➤ Via mail:

- If you are an FRS regulated entity, to the Reserve Bank with which you file your TIC reports
- If you are not an FRS regulated entity, to the Federal Reserve Bank of New York

➤ Via fax: 212-720-8028

Submitting the TIC SLT

➤ Internet Electronic Submission (“IESUB”)

➤ Recommended but not required

Easy to use

Secure

Data validation

Feedback

Receipt

Submitting the TIC SLT

➤ **IESUB (cont.)**

- TIC SLT Parts A and B can be submitted using either file transfer or data entry.
- Application for access and specifics on filing via IESUB are among your handouts and can also be found at this URL :

<http://www.frbservices.org/centralbank/reportingcentral/iesub.html>

Submitting the TIC SLT

➤ **IESUB (cont.)**

➤ Unique User-ID and Password

- If you forget your password, call 212-720-2770.

➤ 128 Bit SSL Encryption

- Server-side Certificate

Submitting the TIC SLT

➤ **Reporting Central**

- Replaces IESUB in 2012
- Part of a broader Federal Reserve modernization effort
- Requires re-applying for access to electronic submission system
- **No change in the file transfer format**

Submitting the TIC SLT

➤ **Reporting Central (cont.)**

- Early 3Q 2011, we will initiate the credential process.
- Authorization will follow the credential process.

Submitting the TIC SLT

➤ **Reporting Central (cont.)**

- In early 1Q 2012, FRBNY is expected to host an in-house seminar on Reporting Central that will also be available via webcast.
- In 1Q 2012, Reporting Central is expected to be in production.

Questions?

