

SUPPORTING STATEMENT

Revision of Treasury International Capital (TIC) Forms CQ-1 and CQ-2 (OMB No. 1505-0024)

A. JUSTIFICATION

1. Treasury International Capital (TIC) Form CQ-1, "Report of Financial Liabilities to, and Financial Claims on, Foreign Residents," and Form CQ-2, "Report of Commercial Liabilities to, and Commercial Claims on, Unaffiliated Foreign Residents," are filed by nonbanking enterprises, nonprofit institutions, and other specified U.S. persons to report their international portfolio capital positions with unaffiliated foreigners (on a gross basis and exclusive of long-term securities which are reported separately on TIC Form S). These reports are required by E.O. Number 10033 of February 8, 1949 and implementing Treasury Regulations (31 C.F.R. 128), the International Investment and Trade in Services Survey Act (22 U.S.C. 3103), and the Bretton Woods Agreements Act (Sec. 8(a) 59 Stat. 515; 22 U.S.C. 286f). Attached is a reprint of the Treasury Regulations, as amended, pertaining to Forms CQ-1 and CQ-2 and related TIC Forms, as published in the November 2, 1993, edition of the Federal Register.
2. Data collected on TIC Forms CQ-1 and CQ-2 constitute the most complete and readily available information on the international portfolio claims and liabilities of U.S. nonbanks. The data are necessary for compiling the U.S. international financial transactions accounts, for calculating the U.S. international investment position, and in formulating U.S. Government international financial and monetary policies. The Department of the Treasury, the Department of Commerce, and the Board of Governors of the Federal Reserve System are the most significant users of the data for these purposes. Respondents covered by the reporting requirements of Forms CQ-1 and/or CQ-2 report directly to the Federal Reserve Bank of New York (FRBNY), which acts as fiscal agent for the Treasury. The data are processed by FRBNY and then transmitted to the Treasury to be used for the purposes outlined above. Further, the data are published regularly in aggregate statistical formats, for the benefit of private users, in the Treasury Bulletin, in the Board of Governors' Federal Reserve Bulletin, and in the Commerce Department's Survey of Current Business. Additionally, the Treasury Bulletin information is posted to the Treasury website maintained by the Financial Management Service at <http://www.fms.treas.gov/>.
3. The instructions for Forms CQ-1 and CQ-2 inform respondents that, in lieu of reports on forms prescribed by the Secretary pursuant to §128.1, the required data may be submitted electronically in the approved file format or on computer printouts pursuant to specific agreement signed by a responsible officer of the reporting institution and by the Federal Reserve Bank of New York. The option of filing Forms CQ-1 and CQ-2 via the internet also is available to respondents.

As respondents' internal methods of maintaining and retrieving reportable information vary widely for Forms CQ-1 and CQ-2, no single information technology can be prescribed to reduce burden on respondents.

4. Beginning with the reports for June 2006 and thereafter, there is no duplication in the collection of these data on Forms CQ-1 and CQ-2. There is no other source of similar data covering international portfolio capital flows. The Treasury is the sole U.S. Government collection authority for these data.

In the CQ-1 reports for March 2003 through March 2006, there is limited duplication in the collection of these data covering positions with affiliated foreigners in sections B and C of Form CQ-1. Duplication arises because the Department of Commerce's Bureau of Economic Analysis (BEA) also collects information on positions of all U.S.-resident firms with foreign affiliates. This duplication occurs only in summary data collected from: (a) U.S.-resident insurance underwriting subsidiaries of bank holding companies (BHCs) or of financial holding companies (FHCs) vis-a-vis foreign resident affiliates; and (b) from "other financial intermediaries" (excluding depository institutions, securities brokers and dealers, bank and financial holding companies, and insurance underwriting companies) vis-a-vis all affiliated foreign-resident financial intermediaries (including depository institutions, securities brokers and dealers, BHCs/FHCs, and insurance underwriting companies). Treasury collected this information because it needed more detailed data than are collected by BEA, as well as comprehensive information on international portfolio investment, which includes positions between U.S. and foreign financial intermediaries. Treasury, BEA, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York have discussed this matter recently and have agreed to eliminate section B from CQ-1 reports because the information collected revealed that these positions were smaller than had been expected and thus the information gained was not worth the additional reporting burden. This change will be effective beginning with the reports for June 2006 and thereafter. Section C of Form CQ-1 contains data from section B, so it also contains duplication. However, when section B is eliminated there automatically will be no more duplication in section C.

5. The reporting threshold is \$50 million for Form CQ-1, and \$25 million for Form CQ-2. The threshold, which is applied separately on each form to total outstanding claims and to total outstanding liabilities as of the end of a given quarter, effectively excludes small nonbanking enterprises, nonprofit institutions, and other specified U.S. persons from the reporting population.
6. The data are collected on an ongoing basis. Effective with the report for June 2006, the submission date for Form CQ-2 is shortened to thirty days, from forty-five days, following the last day of the quarter to which the reports apply. This change is necessary to make that data timely enough for use with all other quarterly TIC data. The submission date for Form CQ-1 remains at thirty days following the last day of the quarter to which the reports apply. If the data were collected less frequently, valuable information on trends in international capital movements would not be observed and made available to the U.S. Government. The lack of timely information could seriously impair the

formulation of U.S. financial policy. The primary legal obstacle to reducing burden is the statutory mandate to collect the information. (See Item 1 above.)

7. There are no special circumstances regarding Forms CQ-1 and CQ-2 that are inconsistent with the conditions outlined in Item A.7 of the Specific Instructions for Supporting Statements for Paperwork Reduction Act Submissions.
8. Treasury's notice in the Federal Register soliciting public comment on Forms CQ-1 and CQ-2 was published Tuesday, August 12, 2008, pages 46982 and 46983. The deadline for receiving pre-clearance comments was October 14, 2008. Because of usual ten day delays in mail delivery, Treasury waited until October 24 to receive mail. To bring attention to the Federal Register notices, the Federal Reserve Bank of New York (FRBNY) contacted all CQ-1 and CQ-2 respondents and other Federal Reserve Banks that process TIC data.

Although no changes were proposed in this data collection, we received one letter with comments, from the Bureau of Economic Analysis, Department of Commerce, dated September 12, 2008. The letter strongly supported the continued collection of TIC B-forms (i.e. BC, BL-1, BL-2, BQ-1, BQ-2, BQ-3), because the data collected on these forms are critical to key components of BEA's economic statistics.

As is done for all TIC forms, discussions regarding all aspects of the reporting forms are held on an ongoing basis with staff of the International Reports Division of the Federal Reserve Bank of New York (FRBNY); with staff of the Federal Reserve Board of Governors' Division of International Finance; and with staff of the Bureau of Economic Analysis (BEA) of the Department of Commerce. FRBNY, representing the nation's major financial center, is the processing center for the review and editing of information reported on Forms CQ-1 and CQ-2. The Board of Governors and the BEA are both major users of the data in aggregate form.

In addition, the staff of FRBNY maintain regular contact with the major respondents. These analysts are in a unique position with respect to advice on changes needed in the forms or reporting instructions for purposes of amending or clarifying data coverage.

9. In respect of Forms CQ-1 and CQ-2, or any other TIC forms, there has been no provision of payments or gifts to respondents for any purpose.
10. As is the case for all TIC forms, individual respondent data are considered confidential, and access to that information is strictly limited to selected staff of the Treasury, Federal Reserve Board of Governors and Federal Reserve Bank of New York. Compliance with the Privacy Act is assured.
11. There are no questions of a sensitive nature.

12. Total annual hour burden:

Number of respondents	208
Frequency of Responses	4 per year
Annual Burden	5,408 hours

The respondent universe is approximately 208 firms for both Forms CQ-1 and CQ-2. We expect about 832 responses per year. Thus with an estimated average reporting burden of 6.5 hours per filing for the 208 respondents, the estimated total reporting burden on the public is 5,408 hours per year.

The above average burden hour estimate covers a wide range of reporting hours, depending on the size of the respondent company, the extent of automated processing and the number of countries with which a respondent has claims and liabilities. In addition, respondents which are required to report data on remaining maturities will have higher burden hours.

Generally, completion and review of the forms involves two persons. It is estimated that the average wage of persons completing the forms is \$29.23 per hour (corresponding to an annual salary of \$60,800), while that of supervisory or other more senior staff reviewing the forms is \$45.48 per hour (corresponding to an annual salary of \$94,600). With 208 respondents filing four times per year, and using an average of five hours per form completion and 1.5 hours per review, the annualized cost to respondents for the total burden hours is estimated to be \$178,356.

13. Total annual cost burden:

- (a) Total annualized capital and start-up costs are estimated to be \$0 (zero dollars). In general, reporting on the forms requires neither specialized capital equipment, nor fixed or variable costs, that are not already associated with the customary and usual business practices of respondents.
- (b) Total annualized operations, maintenance, and purchases of services costs are estimated to be \$0 (zero dollars). Reporting on the forms does not in general impose operations, maintenance, or specialized services costs that are not already associated with the customary and usual practices of respondents.

The above cost estimates are not expected to vary widely among respondents.

Note: As required by OMB, the *Federal Register* notice of August 12, 2008, included an explicit request for public comments on the estimates of cost burden that are not captured in the estimates of burden hours. No comments on the cost estimates were received.

14. Consistent with procedures for all TIC reports, Forms CQ-1 and CQ-2 are printed, circulated, collected and edited by the Federal Reserve Bank of New York. All TIC reports, including Forms CQ-1 and CQ-2, are made available on the Treasury TIC website at www.ustreas.gov/tic/forms.html.

The total annualized cost to the Federal government is estimated to be approximately \$140,868. The figures are best estimates by the staff of the Federal Reserve Bank of New York using their standard accounting and costing procedures and are based in part on experience gained by conducting other TIC surveys. Treasury Department staff has included additional costs for reviewing, preparing reports, advisory services, etc.

Estimated Annual Federal Costs for Forms CQ-1 and CQ-2

Salaries and Benefits:	\$61,481
Overhead and Support Costs on Salaries and benefits	\$52,259
Computer Systems and Programming Costs:	\$13,793
Other Treasury costs (mostly salary):	\$13,335
Totals	\$140,868

15. For Forms CQ-1 and CQ-2 there will be a reduction in burden hours to 5,408, as compared to the estimate of 5,746 currently carried in OMB's Information Collection Inventory. The total overall reduction is the result of a decrease of 338 hours due to the decrease in the number of respondents.
16. Forms CQ-1 and CQ-2 are needed to collect the data on an ongoing basis. Aggregate data in considerable detail by country, and by type of liability or claim item, are published quarterly in the Treasury Bulletin, monthly in the Federal Reserve Bulletin, and quarterly in the Survey of Current Business. The Treasury Bulletin information is also posted quarterly to the Treasury website maintained by the Financial Management Service at <http://www.fms.treas.gov/>. Data are published or otherwise made publicly available in aggregate form only, so as to avoid violating the confidentiality of any single respondent's submission. In addition, tabulations of these data are made on an ad hoc basis for senior Treasury officials and other Treasury offices.

17. Approval to not display the expiration date for OMB approval on the forms has previously been granted.
18. Regarding this request for OMB approval, there are no exceptions to the certification statement in item 19 of Form 83-I.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of this information does not employ statistical methods. Statistical methods are not appropriate for the type of information collected and would not reduce burden or improve accuracy of results.

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