

SUPPORTING STATEMENT

Revision of Treasury International Capital (TIC) Form D (OMB No. 1505-0199)

A. JUSTIFICATION

1. Treasury International Capital (TIC) Form D, "Report of Holdings of, and Transactions in, Financial Derivatives Contracts with Foreign Residents", is filed by all major U.S. resident participants in derivatives markets to report holdings and transactions in derivatives contracts with foreign resident counterparties. Derivatives have become increasingly important financial instruments over the past two decades. As a result, accounting standards for reporting on derivatives have been established and international standards for reporting economic and financial statistics have been revised to include derivatives. This data collection will be the only source of U.S. derivatives data on cross-border transactions and positions that is compiled on the residency basis required for the balance of payments accounts. This report is 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 Form D and related TIC Forms, as published in the November 2, 1993 edition of the *Federal Register*.
2. Data collected on TIC Form D will constitute the most complete and readily available information on U.S. residents' holdings and transactions in derivatives contracts with foreign resident counterparties. The data are necessary for compiling the U.S. balance of payments accounts and the U.S. international investment position; for complying with international data reporting standards; and in formulating U.S. international financial and monetary policies. 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. Consistent with procedures for the TIC reporting forms, respondents covered by the reporting requirements of Form D report directly to the Federal Reserve Bank of New York (FRBNY), which acts as fiscal agent of the Treasury. The data are processed and aggregated by the FRBNY and then transmitted to the Treasury to be used for the purposes outlined above. Further, the data will be 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://fms.treas.gov/bulletin/>.
3. The instructions for Form D inform respondents that, in lieu of reports on printed 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 the Federal

Reserve Bank of New York with which the report is filed. The option of filing Form D via the internet also is available to respondents.

As respondents' internal methods of maintaining and retrieving reportable information vary widely for Form D, no single information technology can be prescribed to reduce burden on respondents.

4. There is no duplication in the collection of these data. Similar information does not exist. The Treasury is the sole U.S. Government collection authority for these international portfolio capital flow data.
5. In order to reduce the overall reporting burden, the threshold for reporting will be changed as follows: (1) if the total notional value of worldwide holdings of derivatives (including contracts with U.S. and foreign residents, measured on a consolidated-worldwide accounting basis) for the reporter's own account and the accounts of the reporter's customers exceeds \$400 billion at the end of the calendar quarter being reported, then the reporter should submit TIC Form D for that calendar quarter, the remaining quarters of the same calendar year and for the following calendar year; (2) in addition, if at any time the amount reported by a TIC D reporter for Grand Total Net Settlements (Part 1, Column 3, Row 7) exceeds \$400 million (either a positive or negative value), the TIC Form D must be submitted for the following two calendar years, even if outstanding worldwide notional values fall below the \$400 billion level. This threshold effectively excludes smaller U.S.-resident participants in derivatives markets from the reporting population.

[Previously, the reporting threshold was \$100 billion at each quarter-end, and was applicable to the total notional value of worldwide holdings of derivatives (including contracts with both U.S. and foreign residents combined) for the reporter's own account together with the accounts of customers.]

6. As is the case for all TIC reporting forms, the data will be collected on an ongoing basis. At present, the submission dates for Form D filings are no later than sixty calendar days following the quarter to which the reports apply. The normal TIC submission date for quarterly filings is no later than the twentieth calendar day following the quarter to which the reports apply; however an exception is made for this new form for at least three years while data systems are being implemented and refined.

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 and monetary policies. 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 associated with Form D 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 Form D was published Monday, June 2, 2008, pages 31543-44. The deadline for receiving pre-clearance comments was Friday, August 1, 2008. Because of usual ten day delays in mail delivery, Treasury waited until August 18 to receive mail. To bring attention to the Federal Register notices, the Federal Reserve Bank of New York (FRBNY) contacted all respondents reporting to FRBNY.

The Federal Register notice invited comments on five changes in the information collection: (a) In Part 1 of Form D, eliminate memo line M.3 (code 86054); (b) collect additional information on equity and credit derivatives, under line 3 in Part 1 of Form D, on the following three new rows -- line 3.a "Equity Contracts", line 3.b "Credit Derivative Contracts", and line 3.c "Other Contracts"; (c) in the instructions, eliminate the choice that allowed netting of fair values by deleting the second sentence of the second paragraph of section I.E "accounting issues"; (d) in order to reduce overall burden, the threshold for reporting will be changed as follows – (1) if the total notional value of worldwide holdings of derivatives (including contracts with U.S. and foreign residents, measured on a consolidated-worldwide accounting basis) for the reporter's own account and the accounts of the reporter's customers exceeds \$400 billion at the end of the calendar quarter being reported, then the reporter should submit TIC Form D for that calendar quarter, the remaining quarters of the same calendar year and for the following calendar year, (2) in addition, if at any time the amount reported by a TIC D reporter for Grand Total Net Settlements (Part 1, Column 3, Row 7) exceeds \$400 million (either a positive or negative value), the TIC Form D must be submitted for the following two calendar years, even if outstanding worldwide notional values fall below the \$400 billion level. For example, the 2009 reporting panel will therefore be determined by outstanding notional values as well as by data previously reported on Form D. If a reporter's outstanding notional values are below \$400 billion, the reporter must continue to file the TIC D report if the Grand Total Net Settlements (Part 1, Column 3, Row 7) exceeded \$400 million in any quarter during the preceding two calendar years.; and (e) these changes will be effective beginning with the reports as of March 31, 2009.

We received one letter with comments, from the Bureau of Economic Analysis (BEA), Department of Commerce, dated July 18, 2008. In the letter, BEA strongly supported the continued collection of data on the TIC Form D, because the data collected on this form are critical to key components of BEA's economic statistics. BEA supported the collection of additional information on equity and credit derivatives in lines 3(a), 3(b) and 3 (c).

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 Form D. The Board of Governors and the BEA are both major users of the data in aggregate form.

In addition, the staff of the FRBNY maintains 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. Regarding Form D 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 reporting forms, individual respondent data are considered confidential, and access to that information is strictly limited to selected staff of the Treasury, the Federal Reserve Board of Governors, and the 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 35
Frequency of Responses 4 per year
Annual Burden 4,200 hours when changes become effective (report as of March 2009)

The respondent population subject to Form D is estimated at approximately 35 banks, bank holding companies, financial holding companies, securities brokers and dealers, insurance companies, futures commission merchants, and other major participants in derivatives markets, based on the new reporting threshold that will require reporting by only the larger respondents. We expect about 140 responses per year. With an estimated average reporting burden of 30 hours per filing, based on information from several respondents, the estimated total reporting burden on the public will be 4,200 hours per year when the changes become effective (report as of March 2009).

Generally, completion and review of the form 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). For 35 respondents filing 4 times per year, and using an average of twenty-six hours per form for completion plus 4 hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$131,866 when the changes become effective (report as of March 2009).

13. Total annual cost burden:
 - (a) Total annualized capital and start-up costs associated with Form D are estimated to be \$0 (zero dollars). In general, reporting on the form requires neither specialized capital equipment, nor fixed or variable costs that are not already associated with the

customary and usual business practices of respondents. [While most respondents initially (in 2005-2006) had to develop some new computer programs for reporting from their existing data records, once those one-time costs were made, reporting on the form, in general, will require 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 form does not in general impose operations, maintenance, or specialized services costs that are not already associated with the customary and usual practices of respondents.

Note: As required by OMB, the *Federal Register* notice of June 2, 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 cost estimates were received, but the estimate in 13(a) was made to reflect comments by some respondents during the design of the form.

- 14. Consistent with procedures for all TIC reports, Form D is printed, circulated, collected and edited by the Federal Reserve Bank of New York. All TIC report forms, including Form D, 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 \$433,711, when the changes become effective (report as of March 2009). 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 expected costs for advisory services, dissemination of results, etc.

Estimated Annual Federal Costs for Form D

Salaries and Benefits:	\$225,402
Overhead and Support Costs on Salaries and benefits	\$191,591
Computer Systems and Programming Costs:	\$3,383
Other Treasury costs (mostly salary):	\$13,335
Total	\$433,711

- 15. When the changes become effective (report as of March 2009) for Form D, there will be a decrease in burden hours to 4,200 as compared to the estimate of 5,490 currently carried in OMB's Information Collection Inventory. The total overall decrease is the

result of a decrease of 1,220 hours due to program changes (increase in the reporting threshold, described in section 5) that cause a decrease in the number of respondents, and a decrease of 70 hours due to a decrease in the estimated time needed to review the form.

The current OMB inventory of \$64 thousand covered the remaining estimated startup costs of respondents, over the third quarter of 2005, to meet the mandatory reporting requirements of Form D. Because the startup costs were completed in 2005 and 2006, there is a total overall decrease of \$64 thousand.

16. Form D is needed to collect the data on an ongoing basis. Aggregate data are published quarterly in the *Treasury Bulletin*, the *Federal Reserve Bulletin*, and the *Survey of Current Business*. The *Treasury Bulletin* data are also posted quarterly to the Treasury website maintained by the Financial Management Service (<http://fms.treas.gov/bulletin/>). Historical time series data, by type and by country, reported on Form D are also posted to the Treasury TIC website (www.ustreas.gov/tic/). 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, it is expected that tabulations of these data will be made on an *ad hoc* basis for senior officials at the Treasury and the Board of Governors and other offices at Treasury and the Board.
17. Approval to not display the expiration date for OMB approval on the TIC 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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