

SUPPORTING STATEMENT

Revision of Treasury International Capital (TIC) Form S (OMB No. 1505-0001)

A. JUSTIFICATION

1. Treasury International Capital (TIC) Form S, “Purchases and Sales of Long-Term Securities by Foreigners”, is filed by banks, other depository institutions, brokers, dealers, nonbanking business enterprises, and other specified U.S. persons to report their international portfolio capital transactions with foreigners. 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 Form S and related TIC Forms, as published in the November 2, 1993, edition of the *Federal Register*.
2. Data collected on TIC Form S constitute the most complete and readily available information on cross-border purchases and sales of long-term domestic and foreign securities by foreigners in transactions with U.S. persons. 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. 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. Respondents covered by the reporting requirements of Form S report directly to the district Federal Reserve Banks, which act as fiscal agents of the Treasury. The data are centrally aggregated and processed by the Federal Reserve Bank of New York (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://fms.treas.gov/bulletin/>. Historical time series data, by country, reported on Form S are also posted to the Treasury TIC website at www.ustreas.gov/tic, under the link “U.S. Transactions with Foreigners in Long-Term Securities”.
3. The instructions for Form S 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 by the district Federal Reserve Bank with which the report is filed. The option of filing Form S via the internet has been available to respondents since January 2001.

As respondents' internal methods of maintaining and retrieving reportable information vary widely and are not dependent upon Form S reporting requirements, 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. The reporting threshold of \$50 million, which is applied to total purchases during the reporting month or to total sales during the reporting month of long-term securities in transactions directly with foreigners, effectively excludes small depository institutions, securities firms, and other entities from the reporting population.
6. The data are collected on an ongoing basis. The monthly submission date for filing Form S is fifteen calendar days following the month to which the report applies. 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. Frequency of reporting: The circumstances that require Form S to be collected more often than quarterly are the unpredictable qualities and magnitudes of the data due to the rapidly changing factors influencing the securities industry, and the U.S. government's need for timely and reliable information on trends in international securities markets. The likely consequences of collecting this information less frequently are outlined in Item 6 above.

Apart from the foregoing case, there are no special circumstances regarding Form S 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 S was published Wednesday, September 24, 2008, pages 55205-06. The deadline for receiving pre-clearance comments was Monday, November 24, 2008. Because of usual ten day delays in mail delivery, Treasury waited until December 9 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, and other district Federal Reserve Banks that process TIC data.

The Federal Register notice invited comments on six changes in the information collection:

- (a) Under the "Grand Total" row (9999-6), an additional row will be added to record the total of transactions in asset-backed-securities (ABS) that is included in the "Grand Total" row. In the new row, entries will be required under the columns for "Bonds of U.S. Gov't Corporations and Federally-Sponsored Agencies", for "Corporate and Other

Bonds”, and for “Foreign Bonds” (columns 3,4,5,6,9,10). The new row will also be included in the addendum section of the form that covers transactions with foreign official institutions. The additional information will satisfy a minimum need for more timely information on such transactions. The information will increase the reporting burden modestly as compared with the alternative burden of adding new columns because columns would require the data by country. The additional information will move toward providing information already available in the less timely annual reports on holdings of securities. Comments from TIC respondents indicate that their computerized database systems can produce the data on ABS;

- (b) the instructions will be revised to cover the additional row proposed above;
- (c) the instructions will be revised to add coverage of reporting by prime brokers;
- (d) the instructions (section D of the General Instructions) will be revised to require that foreign currency transactions be converted to U.S. dollars as of the settlement date, instead of the current requirement to convert as of the report date;
- (e) the instructions (section F of the General Instructions) will be revised to require that data reporters, once the exemption level is exceeded, continue to report for the remainder of the current calendar year, instead of the current requirement to continue reporting for that period plus the following calendar year; and
- (f) 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 October 28, 2008. In the letter, BEA strongly supported the continued collection of the TIC Form S, because the data collected on this form are critical to key components of BEA’s economic statistics. BEA strongly supported the proposed changes, particularly the inclusion of an additional line recording the total of transactions in asset-backed-securities (ABS) and the requirement that foreign currency transactions be converted into dollars as of the settlement date.

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

In addition, the staffs of FRBNY and other district Federal Reserve Banks 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 Form S or any other TIC form, 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, the Federal Reserve Board of Governors and the district Federal Reserve Banks. Compliance with the Privacy Act is assured.
11. There are no questions of a sensitive nature.
12. Total annual hour burden:

Number of respondents – 254

Frequency of Responses – 12 per year

Annual Burden – 20,107 hours when changes become effective (report as of March 2009)

The respondent population subject to Form S is approximately 254 banks, brokers, and nonbanking business enterprises, based on our efforts to enforce compliance with mandatory reporting requirements. We expect about 3,048 responses per year. We estimate there are about 30 major respondents that report relatively large amounts of data with an hourly burden that is double the burden of other respondents. Thus with an estimated average reporting burden of 11.8 hours per filing by major respondents and 5.9 hours per filing by other respondents, based on information from several respondents, the estimated total reporting burden on the public is 10,107 hours per year when the changes become effective (report as of March 2009).

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). For 224 respondents filing 12 times per year, and using an average of 4.4 hours per form for completion plus 1.5 hours per review, and for 30 major respondents filing 12 times per year, and using an average of 8.8 hours per form for completion plus three hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$670,803 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 S 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 September 24, 2008, included an explicit request for public comments on the estimates of cost burdens that are not captured in the estimates of burden hours. No comments on cost estimates were received.

14. Consistent with procedures for all TIC reports, Form S is printed, circulated, collected and edited by the Federal Reserve Banks that process TIC data. All TIC forms, including Form S, 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 \$962,267, 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 and dissemination of the information collected.

Estimated Annual Federal Costs for Form S

Salaries and Benefits:	\$467,898
Overhead and Support Costs on Salaries and benefits	\$397,713
Computer Systems and Programming Costs:	\$ 16,645
Other Treasury costs (mostly salary):	\$80,011
Totals	\$962,267

15. When the changes become effective (report as of March 2009), for Form S there will be an increase in burden hours to 20,107 as compared to the estimate of 17,358 currently carried in OMB's Information Collection Inventory. The total overall increase is the result of an increase of 1,363 hours due to program changes (increase in time needed to complete the form), and an increase of 1,386 hours due to an increase in the number of respondents.
16. Form S is needed to collect the data on an ongoing basis. Aggregate data in considerable detail by country, including breakdowns of purchases and sales of domestic and foreign securities, are published quarterly in the *Treasury Bulletin*, monthly in the *Federal Reserve Bulletin*, and quarterly in the *Survey of Current Business*. The *Treasury Bulletin* data are also posted quarterly to a Treasury website maintained by the Financial Management Service (<http://fms.treas.gov/bulletin/>). Historical time series data, by country, reported on Form S 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, tabulations of these data frequently are 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.

January 2009