

SUPPORTING STATEMENT

Request for approval of Treasury International Capital (TIC) Form SLT (OMB No. 1505-NEW)

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

Treasury International Capital (TIC) Form SLT, “Aggregate Holdings of Long-Term Securities by U.S. and Foreign Residents”, is filed by U.S.-resident custodians, U.S.-resident issuers of long-term securities, and U.S.-resident end-investors (including endowments, foundations, pension funds, mutual funds, and other investment managers/advisors/sponsors) in long-term foreign securities. U.S.-resident holders, both banking and non-banking institutions, of foreign portfolio equity and/or debt may be required to report.

The recent global financial crisis has highlighted the importance of enhanced surveillance of the world economy. As a consequence, the international financial community has a heightened awareness of the importance of collecting economic and financial data, including more frequent and accurate data regarding each country’s external claims and liabilities. As a result, the United States needs to collect certain data on a more frequent and accurate basis, including monthly holdings of long-term securities by country. Data on securities are important because they constitute a large portion of U.S. external claims and liabilities.

The Treasury International Capital (TIC) data reporting system currently collects monthly data on holdings of short-term securities and on purchases and sales of long-term securities. It also collects data annually, but not monthly, on holdings of long-term securities, but there is a lag of eight months between the as-of date of the survey and the release date of the data. Although the annual data currently collected on holdings of long-term securities, together with the monthly data on purchases and sales, can be used to estimate aggregate monthly holdings of long-term securities by country, the time required to produce the estimates is lengthy and the estimates are usually revised substantially when the subsequent annual survey data are released.

Consequently, the Department of the Treasury is proposing the Form SLT to collect data on holdings of long-term securities on a monthly basis so as to ensure more timely and accurate measurement of the aggregate holdings of long-term securities by country. That, in turn, will help improve the preparation of the U.S. balance of payments accounts and the U.S. international investment position, as well as the formulation of U.S. international financial and monetary policies. 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 SLT and related TIC Forms, as published in the November 2, 1993, edition of the *Federal Register*.

2. Use of data

Data collected on TIC Form SLT will constitute the most complete and readily available information on cross-border holdings of long-term domestic and foreign securities by U.S. and foreign residents. 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 Bureau of Economic Analysis of 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. There is public interest in the aggregate data and the news media report on the monthly Treasury press release of monthly TIC data.

Respondents covered by the reporting requirements of Form SLT 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 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/>. Historical time series data, by country, reported on Form SLT also will be posted to the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspxhttp:///>.

3. Use of information technology

The instructions for Form SLT inform respondents that, in lieu of reports on printed forms prescribed by the Secretary pursuant to 31 C.F.R. 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 TIC forms, such as Form SLT, 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 SLT reporting requirements, no single information technology can be prescribed to reduce burden on respondents.

4. Efforts to identify duplication

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 positions data.

5. Impact on small entities

The reporting threshold of \$1 billion, which is applied to total portfolio holdings of long-term securities, effectively excludes small custodians, issuers, and end-investors from the reporting population. Data reporters will file one consolidated report for all U.S.-resident parts of their organizations, and the total will be the aggregate of holdings as issuer, end-investor, and custodian.

6. Consequences of less frequent collection and obstacles to burden reduction

The data are collected on an ongoing basis. The monthly submission date for filing Form SLT is twenty-three 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. Circumstances requiring special information collection

Frequency of reporting: The circumstances that require Form SLT 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 holdings of securities. 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 SLT that are inconsistent with the conditions outlined in Item A.7 of the Specific Instructions for Supporting Statements for Paperwork Reduction Act Submissions.

8. Solicitation of comments on information collection

Treasury's notice in the *Federal Register* soliciting public comment on Form SLT was published Wednesday, August 18, 2010, pages 51166-67. The deadline for receiving pre-clearance comments was Monday, October 18, 2010. To bring attention to the Federal Register notices, the Federal Reserve Bank of New York (FRBNY) contacted many respondents reporting data on securities to FRBNY, and other district Federal Reserve Banks that process TIC data. The Federal Register notice invited comments on all aspects of the new information collection.

We received two letters from end-investors, one letter from the Department of Commerce, and one helpful phone call from a custodian. None of the comments opposed creation of this new information collection. Treasury's detailed responses to the comments are below -- in summary in order to improve data quality and to reduce reporting burden, we: made two changes in the domestic sectors to be covered in the addendum rows of the form; added several clarifications in the instructions, including in the section on who must report to

make it clear that state pension plans are subject to the reporting requirements; decided that the Federal Reserve Bank of New York (FRBNY) should address on a case-by-case basis the complicated investments in funds where reporting might either be duplicative or lead to under-reporting. Lastly, we did not agree that the Form SLT will be too burdensome to file for those end-investors,

The following information details the specific changes made with respect to the correspondence received above.

The letter from the Commerce Department's Bureau of Economic Analysis (BEA), dated October 14, 2010, strongly supported the collection of data by the Form SLT, including more frequent collection of the data and the information in the addendum rows of the form.

Regarding the comments from the custodian (see (1) below) and from the end-investors (see (2)-(8) below), here are Treasury's responses.

- (1) Changes have been made in the addendum section of the form in response to (a) custodian comments about the high burden of providing data for the sector "non-financial institutions excluding households" that was in the original SLT form proposed by the August Federal Register Notice and (b) custodian suggestions for a better choice of sectors. In the SLT form, the section "of which: by type of U.S. issuer" now has four sectors instead of three, where the problem sector is redefined to be "non-financial organizations including households" and a new "State & Local General Government" sector is added. The instructions are changed accordingly, and a new "State & Local..." entry in the Glossary explains that, for the purposes of TIC reports, state & local government is split between "general government" and "government enterprises" and also explains how to report the enterprises in the other three sectors.
- (2) In response to end-investors' requests for clarification about whether or not state pension plans are subject to the SLT reporting requirements, the instructions' section "who must report" has been revised to make clear that state pension plans are subject to the requirements. In particular, the section begins by referring to the following glossary definition of U.S. persons – "Pursuant to 22 U.S.C. 3102 a United States person is any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial organization, or other entity or instrumentality thereof, including a government-sponsored agency), who resides in the United States or is subject to the jurisdiction of the United States."
- (3) The comment in (2) above also mentioned that if state pension plans were required to file Form SLT, then there was a need for additional instructions regarding their investments through funds. In response, the instructions now include a new subsection 4, under "Funds and Related Equity Holdings and Ownership", regarding State pension investments in funds.

- (4) End-investors commented that they believed there would be duplication of data reported on Form SLT if end-investors reported their holdings of foreign alternative investment vehicles (such as investments in private equity and other alternative investment limited partnerships and various hedge funds) when such investments were already being reported by the private managers and/or general partners of such alternative investment vehicles. The comments suggested that end-investors should be exempt from reporting such investments and that only the fund managers and/or sponsors should report such investments on form SLT. Treasury agrees that duplicative reporting should be avoided, but believes that adding more exemptions runs the risk of losing valuable data, also something to be avoided, especially in this case where there are a wide variety of arrangements for foreign alternative investments. As a result, Treasury believes that relief from reporting should be dealt with on a case-by-case basis by the Federal Reserve Bank of New York (FRBNY) or the Federal Reserve Bank to which the respondent reports. FRBNY has experience with the reporting of such data on the two TIC annual surveys “Foreign Holdings of U.S. Securities” and “U.S. Holdings of Foreign Securities”. In addition, the FRBNY will be holding a training seminar on April 5 regarding reporting on Form SLT. Based partly on discussions at that seminar, FRBNY will prepare some FAQs regarding such reporting by end-investors. We have spoken with several respondents, including some who gave comments, and believe they are comfortable with this approach.
- (5) In response to a comment on the need for definitions of eight terms, all of those definitions have been added to the glossary (including “unit investment trust” for the item “other units” that was mentioned in the comment).
- (6) Treasury does not agree with the comments by end-investors that it is too burdensome for them to report monthly the fair values of equity holdings of foreign alternative investment vehicles, such as investments in private equity and other alternative investment limited partnerships and hedge funds. Treasury notes that section II.D “Accounting, Valuation and Currency Conversion Rules” in the SLT instructions provide guidance on this matter. In addition, and even though end-investors may not receive monthly reports from their funds, guidance is also available from the Federal Reserve Bank of New York (“FRBNY”) or the Federal Reserve Bank to which the respondent reports. The Banks can provide suggestions on how to value such investments.
- (7) We do not agree with comments by end-investors that hedge funds and end-investors in such funds should be exempt from reporting because the Form SLT seeks information which is deemed confidential under the contracts between end-investors and their hedge fund managers. If a pension plan invests in a foreign hedge fund, all the plan needs to report is the amount of the investment in the foreign fund opposite the country of the foreign fund. They do not need to report what securities the foreign fund holds in its portfolio.
- (8) End-investors commented that they should be exempt from reporting because they are too burdened by other regulatory reporting and/or their reporting resources are

underfunded. We disagree with exemption, but have taken this into consideration, and this is one of the reasons that we have introduced a phased approach for the TIC SLT data collection. This approach allows for the first three submissions to be quarterly in 2011, and then begin with the monthly filing as of January 2012.

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 SLT. 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. Provision of payments to recordkeepers

In respect of Form SLT or any other TIC form, there has been no provision of payments or gifts to respondents for any purpose.

10. Assurance of confidentiality

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. Justification of sensitive questions

There are no questions of a sensitive nature.

12. Total annual hour burden:

Number of respondents – 150

Frequency of Responses – 12 per year

Annual Burden – 20,520 hours when monthly reporting begins (report as of January 2012)

Burden estimates are calculated for three different classes of data reporters.

- The first group is comprised of U.S. resident custodians, who provide safekeeping services for their own firm as well as for others. This type of organization will provide the vast majority of the data collected on Form SLT, using both Part A and Part B, and thus will have the greatest burden.
- The second class of respondents is U.S. resident end investors who either keep securities in custody at their own site or who arrange for safekeeping abroad. In either case, no U.S.-resident custodian is employed to safekeep these foreign securities. These investors would report on all these holdings of foreign securities on Part B.
- The last class of reporters consists of U.S. resident issuers of securities, who are not custodians, that have issued securities directly to foreigners and, in addition, those foreigners do not hold the securities with U.S. custodians. These issuers would report the foreign holdings of those securities on Part B.

The respondent population subject to Form SLT is approximately 150 banks, brokers, and nonbanking business enterprises that fall into the three classes of respondents described above. We expect about 1,800 responses per year. We estimate there will be about 70 custodians that report relatively large amounts of data. With an estimated average reporting burden of 17 hours per filing by custodians and 6.5 hours per filing by 80 other respondents, the estimated total reporting burden on the public will be 20,520 hours per year when the monthly reporting begins (report as of January 2012).

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
150	12	1,800	11.40	20,520

Estimates of annualized cost to respondents: Generally, completion and review of the forms involves two persons. It is estimated that the average wage of persons completing the form 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 80 respondents filing 12 times per year, and using an average of 5.5 hours per form for completion plus 1.0 hours per review, and for 70 custodians filing 12 times per year, and using an average of 15 hours per form for completion plus two hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$642,700 when the monthly reporting begins (report as of January 2012).

14. Estimated total annual cost burden to respondents

Total annual cost burden:

- (a) Total annualized capital and start-up costs associated with Form SLT 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 18, 2010, 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.

15. Estimated cost to the Federal government

Consistent with procedures for all TIC reports, Form SLT is printed, circulated, collected and edited by the Federal Reserve Banks that process TIC data. All TIC forms, including Form SLT, are made available on the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms.aspx>.

The total annualized cost to the Federal government is estimated to be approximately \$738,870, when monthly reporting begins (report as of January 2012). 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 SLT

Average Salaries and Benefits:	\$348,380
Overhead and Support Costs on Salaries and benefits	\$296,120
Computer Systems and Programming Costs:	\$ 32,690
Other Treasury costs (mostly salary):	\$61,680
Totals	\$738,870

16.

17. Reason for change

This is a new information collection request. When the monthly reporting begins (report as of January 2012) for Form SLT, there will be an increase in burden hours to 20,520 as compared to the estimate of zero currently carried in OMB's Information Collection Inventory. The total overall increase is the result of an increase of 20,520 hours due to program changes.

18. Plans for tabulation, statistical analysis and publication

Form SLT is needed to collect the data on an ongoing basis. It is expected that aggregate data in considerable detail by country, including breakdowns of holdings of domestic and foreign long-term securities, will be 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 SLT will also be posted to the Treasury TIC website (<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspx>). 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.

19. Reasons why displaying the OMB expiration date is inappropriate

Approval to not display the expiration date for OMB approval on the TIC forms has previously been granted. The forms on the website will have expiration dates.

20. Exceptions to certification requirement of OMB Form 83-I

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.

March 2011