

## SUPPORTING STATEMENT

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

#### A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

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).

2. How, by whom, and for what purpose is the information to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

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 sector 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 at <http://www.fms.treas.gov/bulletin/index.html>. Historical time series data, by country, reported on Form BQ-2 are also posted to the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspx>.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of

information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden. Explain how you will provide a fully electronic reporting option (meaning no paper from the respondent is required) by October 2003, or an explanation of why this is not practicable.

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. Describe 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 flow data.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

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.

6. Describe the consequences to Federal program or policy activities if the collection were not conducted or was conducted less frequently, as well as any technical or legal obstacles to reducing burden.

As is the case for all TIC reporting forms, the data will be collected on an ongoing basis. The submission date for Form D filing is no later than fifty calendar days (it was previously sixty calendar days) following the quarter 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. Explain any special circumstances that would cause an information collection to be conducted in a manner: (a) requiring respondents to prepare information to the agency more often than quarterly; (b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; (c) requiring respondents to submit more than an original and two copies of any document; (d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years; (e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study; (f) requiring the use of a statistical data classification that has not been reviewed and approved by OMB; (g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or (h) requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

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. Summarize public comments received in response to the Federal Register Notice requesting public comments and describe actions taken by the agency in response to these comments, particularly comments on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Treasury's notice in the *Federal Register* soliciting public comment on Form D was published Wednesday, September 14, 2011, page 56875. The deadline for receiving pre-clearance comments was November 14, 2011. Because of delays in mail delivery, Treasury waited until November 23 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 three changes in the information collection: (a) The deadline for submitting the Form D report is shortened from 60 days to 50 days. The instructions, in section I.F, will read: "Form D reports should be submitted not later than 50 calendar days following the report's as-of date, which is the last day of the calendar quarter being reported." The change in the reporting deadline will allow the U.S. to meet international data reporting standards. That is, at present, the U.S. is able to report on time all elements of its balance of payments accounts and its international investment position collected by the TIC reporting system except for its data on derivatives. This shortening of the reporting deadline should be feasible given data reporters' experience in completing the report since it was introduced in March 2005.

(b) In part 1 of Form D, the title of row 2.a is changed to "Forwards and Foreign Exchange Swaps" from "Forwards" and row 2.b will be entitled "Currency Swaps" in place of "Swaps". The purpose of this change is to clarify where Foreign Exchange Swaps should be reported. There is no change in reporting requirements. For example, the current instructions for row 2.b describe currency swaps, not foreign exchange swaps.

(c) These changes are effective beginning with the reports as of March 31, 2012.

We received two letters with comments.

(1) The first letter, dated October 7, 2011, was from J.P. Morgan Chase & Co. The letter opposed moving the reporting deadline from 60 days to 50 days after the as-of date of the report. They argued that their organization often makes full use of the 60 day period in order to provide the data required on the Form D report. Treasury did not agree for several reasons, primarily because the reduction in the reporting deadline is necessary for Treasury to meet its reporting deadline to the Bureau of Economic Analysis (BEA). BEA's deadlines are necessary for its timely preparations of the U.S. balance of payments accounts and the U.S. international investment position. Regarding the six Treasury International Capital (TIC) quarterly reports, the TIC submission deadline dates for five of them is no later than the twentieth to thirtieth calendar day following the quarter to which the reports apply; however an exception was made for Form D filers for the past seven years (since March 2005) while filers' data systems were being implemented and refined. Over those past seven years, Treasury, the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System have devised ways to reduce the time they need to get data to BEA from over 30 days to 10 days, but Treasury still cannot meet the BEA deadline unless Form D reports are filed no later than 50 days after the

quarter being reported. Initially, Treasury proposed shortening the deadline to 40 or 45 days, but after discussions with some filers agreed to the 50 day deadline for the next three years, in consideration of the additional needs for reporting on derivatives since the financial crisis that began in 2008.

(2) The second letter, dated November 9, 2011, was from the Department of Commerce's Bureau of Economic Analysis (BEA). In the letter, BEA strongly supported the change to shorten the deadline for filing Form D from 60 to 50 days. This would allow BEA to eliminate a gap that would otherwise exist in releases of the U.S. International Transactions and in the U.S. International Investment Position by including derivatives data. BEA supported collection of data on the TIC Form D, because the data 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 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. Explain any decision to provide any payment or gift to respondents.

Regarding Form D or any other TIC forms, there has been no provision of payments or gifts to respondents for any purpose.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

While there is no guarantee of confidentiality, for all TIC reporting forms, individual respondent data are considered private, and access to that information is limited to selected staff of the Treasury, the Federal Reserve Board of Governors, and the Federal Reserve Bank of New York, to the degree allowed by law. Compliance with the Privacy Act is assured.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

There are no questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information. Also provide estimates of annualized cost to respondents for the hour burdens.

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 2012)

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 31, 2011).

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
35	4	140	30.0	4,200

Generally, completion and review of the form involves two persons. It is estimated that the average wage of persons completing the forms is \$31.06 per hour (corresponding to an annual salary of \$64,600), while that of supervisory or other more senior staff reviewing the forms is \$40.05 per hour (corresponding to an annual salary of \$83,300). 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 \$135,486 when the changes become effective (report as of March 31, 2011).

13. Provide an estimate for the total annual cost burden to respondents or record keepers not included in Item 12 and Item 14.

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 September 14, 2011, 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. Provide estimates of annualized costs to the Federal government.

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 <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms-d.aspx>.

The total annualized cost to the Federal government is estimated to be approximately \$715,658, when the changes become effective (report as of March 31, 2011). 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:	\$386,380
Overhead and Support Costs on Salaries and benefits	\$199,418
Computer Systems and Programming Costs:	\$129,860
Total	\$715,658

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of OMB Form 83-I.

When the changes become effective (report as of March 31, 2011) for Form D, there will be no change in burden hours of 4,200 as compared to the estimate of 4,200 currently carried in OMB's Information Collection Inventory. None of the revisions in section 8 above have an effect on the burden hours.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Provide the time schedule for the entire project.

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 a Treasury website (<http://www.fms.treas.gov/bulletin/index.html>). Historical time series data, by type and by country, reported on Form D are also 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, 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. If seeking approval to not display the expiration date for OMB approval, explain the reasons that display would be inappropriate.

Approval to not display the expiration date for OMB approval on the TIC forms has previously been granted.

18. Explain each exception to the certification statement identified in Item 19 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.

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