

SUPPORTING STATEMENT

Revision of Treasury International Capital (TIC) Form BL-1 (OMB No. 1505-0019)

A. JUSTIFICATION

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

Treasury International Capital (TIC) Form BL-1, "Report of U.S. Dollar Liabilities of Financial Institutions to Foreign Residents", is filed by banks, other depository institutions, bank holding companies, financial holding companies, brokers and dealers, and all other financial institutions in the U.S. to report their own portfolio liabilities (exclusive of long-term securities) to foreign residents. 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).

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 BL-1 constitute the most complete and readily available information on cross-border dollar liabilities of U.S. banks, brokers and dealers. The form and data it procures 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 BL-1 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 sector users, in the quarterly *Treasury Bulletin*, in the Federal Reserve Board of Governors' monthly *Federal Reserve Bulletin*, and in the Commerce Department's quarterly *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 BL-1 are also posted to the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticliab.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 general instructions for Form BL-1 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 the district Federal Reserve Bank with which the reports are filed. The option of filing Form BL-1 via the internet also is available to respondents.

As respondents' internal methods of maintaining and retrieving reportable information vary widely for Form BL-1, 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.

The reporting threshold is \$50 million, EXCEPT that full reporting is also required when there is a position of \$25 million or more vis-a-vis all counterparties in any one country. The threshold, which is applied to total own dollar liabilities on Form BL-1 as of the end of a given month, effectively excludes smaller banks, other depository institutions, and brokers and dealers in the U.S. 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.

The data are collected on an ongoing basis. The submission date for Form BL-1 liabilities falls fifteen (15) calendar days following the month 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 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.

Frequency of reporting for Form BL-1: The circumstances that require those forms to be collected more often than quarterly are the U.S. government's need for timely and reliable information on trends in international financial markets. The likely consequences of collecting these data less frequently are outlined in Item 6 above.

Apart from the foregoing case, there are no special circumstances associated with Form BL-1 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 BL-1 was published Thursday, January 3, 2013, pages 339-341. The deadline for receiving pre-clearance comments was March 4, 2013. Because of delays in mail delivery, Treasury waited until March 11 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.

In the Federal Register Notice, Treasury proposed the following changes to all TIC B forms, including Form BL-1: (a) The "who must report" section of the instructions is revised. Beginning with the reports as of June 30, 2013, the organizations required to file the TIC B forms will include all types of U.S.- resident financial institutions (including, but not limited to banks, other depository institutions, brokers/dealers, bank/financial holding companies, investment banks, insurance companies, credit card issuers, money market funds, pension funds, private equity funds, hedge funds, trusts, finance companies, mortgage companies, commodity brokers and dealers, investment advisors and managers, loan brokers). More specifically, all financial institutions that previously filed TIC C forms (form CQ-1 and form CQ-2) will file TIC B forms beginning with the reports as of June 30, 2013. Those financial institutions changing from filing the TIC C forms to filing the TIC B forms will not be required to file the TIC C forms after the reports as of May 31, 2013.

(b) The instructions for these forms have been updated to (i) add guidance for reporting on new rows and columns, on reporting accrued interest and insurance/reinsurance business, and on where to report, and (ii) add clarifications such as on the consolidation/combo rules, valuation rules, and reporting the location of foreign counterparties.

(c) Except for the TIC Form BQ-3, the list of countries for reporting the location of foreign counterparties will be increased by six. This is the result of deleting Netherlands Antilles (country code 3720-6), removing “Montenegro” from “Serbia and Montenegro” (1321-8), and adding Kosovo (1347-1), Montenegro (1362-5), Bonaire, Sint Eustatius and Saba (3616-1), Curacao (3618-8), St. Martin and St. Barthelemy (3647-1), Sint Maarten (3619-6), and South Sudan (5339-2).

Treasury also proposed the following additional changes to Form BL-1:

1. Change the title of the form to “Report of U.S. Dollar Liabilities of Financial Institutions to Foreign Residents.”
2. In the “of which” items at the end of the form, a new row has been added to collect “Liabilities to Foreign-Resident Non-Bank Financial Institutions.” Data are reportable in columns 5 through 9.
3. In the “of which” items at the end of the form, a new row has been added to collect “Unpaid Insurance Claims and Prepaid Insurance Premiums.” Data are reportable in columns 2, 4, 6, 7 and 8.

In response to the changes proposed in this data collection, we received three communications with comments. One was from the Department of Commerce’s Bureau of Economic Analysis (BEA), dated February 12, 2013. The letter strongly supported proposed changes to the TIC B-forms, including BQ-2, because the data collected on these forms are critical to key components of BEA’s economic statistics. State Street Corporation, in a letter dated March 4, 2013, expressed several concerns, including whether it could make the software and other necessary changes in time for the first report as of June 30, 2013, and proposed moving the effective date for the new requirements to March 31, 2014. Similarly, J. P. Morgan Chase, in a letter dated March 4, 2013, expressed several concerns, and proposed moving the effective date to the end of 2013. The Treasury Department took several actions regarding those concerns, as described in the following paragraph.

(1) One concern was the lack of a clear definition for reporting on Non-Bank Financial Institutions (NBFIs). In response, Treasury has provided the relevant North American Industry Classification System (NAICS) codes in the glossary item for NBFIs in the instructions. (2) Another concern was that confusion would occur if the B forms adopted a new country list different from the list used for the other TIC forms. Treasury has given notice, along with updated forms, on the TIC website that all TIC reporting forms must use the same updated country list beginning with reports as of December 2013 (for example see the item dated 4-25-2013 regarding the updated country list in the “What’s New” section at:

<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms.aspx>.) The updated country list, which for example takes into account the breakup of the Netherlands Antilles, can be found at: <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/foihome.aspx>.

(3) Another concern related to the updated country list is the lack of an ISO code for Kosovo. Treasury has recommended that code XK be used for Kosovo until an ISO code is published.

This is the ISO user-assigned code. This reporting instruction is mentioned on the new webpage Treasury created to cover the updated country list:

<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/foihome.aspx>. (4) A fourth concern was that it will be difficult to source data for reporting accrued interest. In response, Treasury notes that reporting accrued interest is not a new requirement, and believes accrued interest is already reported in the TIC-B forms. For example, in sections II.A and III.A of the current reporting instructions for the TIC B-forms (at:

<http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/fbinstr-june2006.pdf>), “reportable claims” and “reportable liabilities” are defined as consistent with the definitions in the FFIEC “Call” report, which cover accrued interest. (For example see:

http://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_201209_i.pdf, Schedule RC-F, “Other Assets,” and Schedule RC-G, “Other Liabilities”). The proposed new TIC instructions include only a clarification that accrued interest should be reported under the category of “other” liabilities or “other” assets. (5) A fifth concern was that work on other TIC reports as of June 2013 would interfere with implementation of the new B-form requirements. Regarding the TIC’s annual SHL(A) survey as of June 30, 2013, Treasury notes there are no changes in the forms and instructions from last year, so those reporting systems of the commenters should be prepared for the survey this year. We believe the same can be said regarding the SLT reports. (6) Last, the Department of the Treasury has decided to delay the proposed effective date by six months, and to require implementation of the new B-form and C-form reporting requirements to begin with the reports as of December 2013.

Regarding consultations outside the agency, 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 BC. The Board of Governors and 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. Explain any decision to provide any payment or gift to respondents.

In respect of Form BL-1 or any other TIC form, 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.

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 to the extent allowed by law.

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 365
Frequency of Responses 12 per year
Annual Burden 34,042 hours

The respondent population subject to Form BL-1 is approximately 365 financial institutions (including, but not limited to banks, other depository institutions, brokers/dealers, bank/financial holding companies, investment banks, insurance companies, credit card issuers, money market funds, pension funds, private equity funds, hedge funds, trusts, finance companies, mortgage companies, commodity brokers and dealers, investment advisors and managers, loan brokers), based on the reporting threshold. We expect a total of about 4,380 responses per year. There are about 29 major respondents that report relatively large amounts of data with an hourly burden that is double the burden of other respondents. With an estimated average reporting burden of fourteen and four tenths hours per filing by major respondents and seven and two tenths hours per filing by other respondents, based on information from several respondents, the estimated total reporting burden on the public is 34,042 hours per year.

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
365	12	4,380	7.77	34,042

Generally, completion and review of the form involves two persons. It is estimated that the average wage of persons completing the form is \$31.97 per hour (corresponding to an average salary of \$66,500), while that of supervisory or other more senior staff reviewing the form is \$48.32 per hour (corresponding to an average salary of \$100,500). For 336 respondents filing 12 times per year, and using an average 5.7 hours per form for completion plus 1.5 hours per review, and for 29 major respondents filing 12 times per year, and using an average 11.4 hours per form for completion plus 3 hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$1,149,247.

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 BL-1 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 January 3, 2013, 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.

14. Provide estimates of annualized costs to the Federal government.

Consistent with procedures for all TIC reports, Form BL-1 is printed, circulated, collected and edited by the Federal Reserve Banks that process TIC data. All TIC reports, including Form BL-1, are made available on the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms-b.aspx>.

The total annualized cost to the Federal government is estimated to be approximately \$1,748,898. 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 BL-1

Salaries and Benefits:	\$898,482
Overhead and Support Costs	\$734,775
Computer Systems and Programming Costs:	\$115,640
Totals	\$1,748,898

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

For Form BL-1 there will be an increase of 4,558 in burden hours to 34,042 as compared to the estimate of 29,484 currently carried in OMB's Information Collection Inventory. The total overall increase is the result of an increase of 6,118 hours due to program changes and a decrease of 1,560 hours due to a decrease in the number of respondents. The program changes

were (a) movement of a number of respondents from the TIC C-forms to the TIC B-forms, and (b) the addition of two new rows in the “of which” items at the end of the form: new row “Liabilities to Foreign-Resident Non-Bank Financial Institutions,” and new row “Unpaid Insurance Claims and Prepaid Insurance Premiums.”

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 BL-1 is needed to collect the data on an ongoing basis. Aggregate data in considerable detail by country, including breakdowns of banks’ own dollar claims and liabilities *vis-a-vis* foreigners, 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 (<http://www.fms.treas.gov/bulletin/index.html>). Historical time series data, by country, reported on Form BL-1 are also posted to the Treasury TIC website (<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticliab.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.

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 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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