

## SUPPORTING STATEMENT

### Revision of Treasury International Capital (TIC) Forms CQ-1 and CQ-2 (OMB No. 1505-0024)

#### A. JUSTIFICATION

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

Treasury International Capital (TIC) Form CQ-1, "Report of Financial Liabilities to, and Financial Claims on, Unaffiliated Foreign Residents," and Form CQ-2, "Report of Commercial Liabilities to, and Commercial Claims on, Unaffiliated Foreign Residents," are filed by U.S. resident nonfinancial enterprises, nonprofit institutions, and other specified U.S. persons to report their international portfolio capital positions with unaffiliated foreigners (on a gross basis and exclusive of long-term securities which are reported separately on TIC Form SLT and Form S). 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 Forms CQ-1 and CQ-2 constitute the most complete and readily available information on the international portfolio claims and liabilities of U.S. nonbanks. 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. Government international financial and monetary policies. The Department of the 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 Forms CQ-1 and/or CQ-2 report directly to the Federal Reserve Bank of New York (FRBNY), which acts as fiscal agent for the Treasury. The data are processed by 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 *Treasury Bulletin*, in the Federal Reserve 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 Forms CQ-1 and CQ-2 are also posted to the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticnonbank.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 Forms CQ-1 and CQ-2 inform respondents that, in lieu of reports on 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 Federal Reserve Bank of New York. The option of filing Forms CQ-1 and CQ-2 via the internet also is available to respondents.

As respondents' internal methods of maintaining and retrieving reportable information vary widely for Forms CQ-1 and CQ-2, no single information technology can be prescribed to reduce burden on respondents.

#### 4. Describe efforts to identify duplication.

Beginning with the reports for June 2006 and thereafter, there is no duplication in the collection of these data on Forms CQ-1 and CQ-2. There is no other source of similar data covering international portfolio capital flows. The Treasury is the sole U.S. Government collection authority for these data.

In the CQ-1 reports for March 2003 through March 2006, there was limited duplication in the collection of these data covering positions with affiliated foreigners in sections B and C of Form CQ-1. Duplication arose because the Department of Commerce's Bureau of Economic Analysis (BEA) also collected information on positions of all U.S.-resident firms with foreign affiliates. This duplication occurred only in summary data collected from: (a) U.S.-resident insurance underwriting subsidiaries of bank holding companies (BHCs) or of financial holding companies (FHCs) vis-a-vis foreign resident affiliates; and (b) from "other financial intermediaries" (excluding depository institutions, securities brokers and dealers, bank and financial holding companies, and insurance underwriting companies) vis-a-vis all affiliated foreign-resident financial intermediaries (including depository institutions, securities brokers and dealers, BHCs/FHCs, and insurance underwriting companies). Treasury collected this information because it sought more detailed data than were collected by BEA, as well as comprehensive information on international portfolio investment, which includes positions between U.S. and foreign financial intermediaries. Treasury, BEA, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York discussed this matter and agreed to eliminate section B from Form CQ-1 reports because the information collected revealed that these positions were smaller than had been expected and thus the information gained was not worth the additional reporting burden. This change was effective beginning with the reports for June 2006 and thereafter. Section C of Form CQ-1 contains data from section B, so it also contains duplication. However, when section B is eliminated, as the *Federal Register* notice of January 2, 2013, page 147 and this supporting statement propose, there automatically will be no more duplication in section C.

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 for Form CQ-1 and \$25 million for Form CQ-2. The threshold, which is applied separately on each form to total outstanding claims and to total outstanding liabilities as of the end of a given quarter, effectively excludes small nonbanking enterprises, nonprofit institutions, and other specified U.S. persons 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 both Forms CQ-1 and CQ-2 is thirty days following the last day of the quarter 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 policy. 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 regarding Forms CQ-1 and CQ-2 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 Forms CQ-1 and CQ-2 was published Wednesday, January 2, 2013, pages 147 and 148. 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 CQ-1 and CQ-2 respondents and other Federal Reserve Banks that process TIC data.

In the notice, Treasury proposed the following changes to Forms CQ-1 and CQ-2:

(a) The “who must report” section of the instructions is revised. Beginning with the reports as of June 30, 2013, the types of organizations required to file the TIC CQ-1 and CQ-2 reports (the TIC C reports) will include all U.S. residents except U.S.-resident financial institutions. This means that those financial institutions that previously reported on the TIC C forms (they are all financial institutions except banks, other depository institutions, bank and financial holding companies, and brokers and dealers that already report on the TIC B forms; this group includes, but is not limited to 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), will instead begin reporting on the TIC B forms.

(b) In “Foreign Currency Items,” which is after the “Grand Total” row (9999-6) near the end of both Form CQ-1 and Form CQ-2, a new row has been added to collect information on claims and liabilities “Denominated in Swiss Francs.” Data are reportable in all six columns of the CQ-1 and all five columns of the CQ-2.

(c) After the “Grand Total” row (9999-6) near the end of both Form CQ-1 and Form CQ-2, a new sub-section has been added called “Remaining Maturities (claims).” The new subsection in the CQ-1 has three rows labeled: “Demand Deposits, Arrears, Resale Agreements Under Continuing Contract, and Items With No Fixed Maturity;” “Maturing in 1 Year or Less;” and “Maturing In Over 1 Year.” Data are reportable in all six columns. The new sub-section in the CQ-2 has three rows labeled: “Items With No Fixed Maturity;” “Maturing in 1 Year or Less;” and “Maturing in Over 1 Year.” Data are reportable in all five columns.

(d) Just after the Grand Total row (9999-6) near the end of both Form CQ-1 and Form CQ-2, the caption “Section (B) Memorandum Items:” is replaced by “‘Of Which’ Items:”. Just before “Europe” on page two of both forms, the caption “Section A: Selected Positions with Unaffiliated Foreigners” is deleted.

(e) The instructions for these forms (i) add instructions for reporting on the new rows, on accrued interest and on where to report, and (ii) incorporate changes to clarify the reporting requirements, such as the consolidation/combination rules, valuation rules, and reporting the location of foreign counterparties.

(f) On all TIC reporting forms, 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).

In response to the changes proposed in this data collection, we received one letter from the Department of Commerce’s Bureau of Economic Analysis (BEA), dated February 12, 2013. The

letter strongly supported proposed changes to TIC Forms CQ-1 and CQ-2 because the data collected on these forms 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 Forms CQ-1 and CQ-2. The Board of Governors and the BEA are both major users of the data in aggregate form.

In addition, the staff of FRBNY 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 Forms CQ-1 and CQ-2, 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.

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, Federal Reserve Board of Governors and Federal Reserve Bank of New York. 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	175
Frequency of Responses	4 per year
Annual Burden	4,904 hours

The respondent population subject to Forms CQ-1 and CQ-2 is approximately 175 firms that are not financial institutions, based on the reporting threshold. We expect about 700 responses per year. There are about 8 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 thirteen and four tenths hours per filing by major respondents and six and

seven tenths hours per filing by other respondents, based on information from several respondents, the estimated total reporting burden on the public is 4,904 hours per year.

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
175	4	700	7.01	4,904

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 167 respondents filing 4 times per year, and using an average 5.2 hours per form for completion plus 1.5 hours per review, and for 8 major respondents filing 4 times per year, and using an average 10.4 hours per form for completion plus 3 hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$174,746.

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 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 2, 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 the cost estimates were received.

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

Consistent with procedures for all TIC reports, Forms CQ-1 and CQ-2 are printed, circulated, collected and edited by the Federal Reserve Bank of New York. All TIC reports, including Forms CQ-1 and CQ-2, are made available on the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms-c.aspx>.

The total annualized cost to the Federal government is estimated to be approximately \$533,482. 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 costs for reviewing, preparing reports, advisory services, etc.

Estimated Annual Federal Costs for Forms CQ-1 and CQ-2

Salaries and Benefits:	\$269,576
Overhead and Support Costs	\$227,604
Computer Systems and Programming Costs:	\$ 36,302
Totals	\$533,482

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

For Forms CQ-1 and CQ-2 there will be a decrease of 712 in burden hours to 4,904 as compared to the estimate of 5,616 currently carried in OMB's Information Collection Inventory. The total overall decrease is the result of a decrease of 322 hours due to program changes and a decrease of 390 hours due to a decrease in the number of respondents. The decrease due to program changes is the result of a large reduction in C-form respondents that more than offset the increased burden from the addition of new rows to the form. 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 eight new rows in the "of which" items at the end of the forms: new row in both form CQ-1 and form CQ-2 "Denominated in Swiss Francs," new row in CQ-1 "Demand Deposits, Arrears, Resale Agreements Under Continuing Contract, and Items With No Fixed Maturity," new row in CQ-2 "Items With No Fixed Maturity," new row in both CQ-1 and CQ-2 "Maturing in 1 Year or Less," new row in both CQ-1 and CQ-2 "Maturing In Over 1 Year."

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

Forms CQ-1 and CQ-2 are needed to collect the data on an ongoing basis. Aggregate data in considerable detail by country, and by type of liability or claim item, are published quarterly in the *Treasury Bulletin*, monthly in the *Federal Reserve Bulletin*, and quarterly in the *Survey of Current Business*. The *Treasury Bulletin* information is also posted quarterly to the Treasury website (<http://www.fms.treas.gov/bulletin/index.html>). Historical time series data, by country, reported on Forms CQ-1 and CQ-2 are also posted to the Treasury TIC website (<http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticonbank.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 are made on an ad hoc basis for senior Treasury officials and other Treasury offices.

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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