

## SUPPORTING STATEMENT

### Request for approval of U.S. Treasury International Capital (TIC) Annual Survey of Foreign-Residents' Holdings of United States Securities as of the last business day of each June (OMB No. 1505-0123)

#### B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

##### 1. Describe (including a numerical estimate) the potential reporting universe and any sampling or other respondent selection methods to be used.

This survey will measure foreign ownership of U.S. securities for portfolio investment purposes. These foreign holdings can be held in three different ways.

(a) They can be purchased directly from the U.S. firms that issue these securities (direct registered holdings). In this case, the issuer of the security has the information pertaining to foreign ownership.

(b) They can be held indirectly by being held in the name of a U.S. financial intermediary, such as a U.S. bank or broker dealer. In this case, the issuer of the security has no direct knowledge of the foreign holding, and the information must be collected from the U.S. custodian.

(c) If they are bearer bonds issued outside the United States by U.S. entities, their owners do not have to disclose any ownership information. Data on the amount of these bonds outstanding are obtained directly from the U.S. issuers, and are augmented and cross-checked with information available from commercial sources.

The potential reporting universe consists of over 500 U.S. custodians and the many thousands of U.S. private and governmental organizations that issue securities.

On the quinquennial benchmark surveys (SHL), all institutions believed likely to be significant sources of information on foreign ownership of U.S. securities will be included in the survey. This group will include the largest U.S. custodians, U.S. custodians that are subsidiaries of foreign banks, all U.S. issuers of Eurobonds, and the largest U.S. corporations. These firms will be identified based on past survey filings, industry surveys, the financial press, other TIC system reports, information from the FDIC, and data from commercial vendors. In addition, other firms believed to be possible, although less likely, sources of data will be sampled.

On the annual survey (SHLA), only the approximately 100 largest reporters from the last quinquennial benchmark survey will be included in the survey. On the survey as of June 2013, these reporters accounted for about 98 percent of all data reported on the survey. The data collected on the annual surveys will be grossed up appropriately to arrive at estimates of total foreign holdings.

The response rate will be 100 percent, as responses are required by law. The response rate on the previous survey was 100 percent.

2. Describe the procedures for the collection of information including: (a) Statistical methodology for stratification and sample selection, (b) Estimation procedure, (c) Degree of accuracy needed for the purpose described in the justification, (e) Unusual problems requiring specialized sampling procedures, and (g) Any use of periodic (less frequent than annual) data collection cycles to reduce burden.

Based on the results of the last quinquennial survey, the approximately 100 largest reporters reported about 98 percent of the total holdings of U.S. securities, thus we are assuming that the same percentage will be captured by including only these reporters on this survey. The data received from these reporters will be increased by about 2 percent to obtain an estimate of total foreign holdings.

There is no pre-determined or externally set level of accuracy needed from this survey. What is sought is the best accuracy possible without undue reporter burden or government cost. We believe that a reasonably high degree of accuracy will be achieved by using the above technique.

The results of the quinquennial full benchmark surveys will be used to check on the accuracy of the annual surveys and to meet the requirements of the International Investment and Trade in Services Act.

3. Describe methods to maximize response rates and to deal with issues of non-response.

This survey is required by law and failure to report is punishable by fine and/or imprisonment. Non-reporters are reminded of their reporting responsibility and required to report. If necessary, a letter is sent from the Treasury Department's General Counsel's office to the chief legal officer of the institution in question reminding the institution of its reporting responsibility and the applicable penalties for non-compliance. In one case, a letter was sent to an institution stating that the failure to provide necessary information within a stated time period would result in the Treasury Department recommending to the Justice Department that legal proceedings be instituted. However, in the 25 year history of these surveys this is the only instance where such measures were required, and this case occurred about 20 years ago.

4. Describe any tests of procedures or methods to be undertaken.

To see how well our technique might work, we went back to the previous benchmark survey conducted as of year-end 1994. We selected the top 54 respondents from the 1994 survey. These represented all custodians reporting at least \$2 billion. This group reported about 80 percent of the total value of long-term securities reported in 1994. Holding the list of custodians constant, this same group reported 88 percent of the total amount measured by the March 2000 survey. That tracks reasonably well, especially considering the substantial cost savings to be realized. In the March 2000 survey, the 45 largest respondents reported about 90 percent of the total value of long-term securities reported in the survey.

5. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s) or other person(s) who will actually collect and/or analyze the information for the agency.

The statistical methods to be employed were reviewed by representatives of the Department of the Treasury, the Department of Commerce (Bureau of Economic Analysis), the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York.

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The actual data collection will be conducted by the Statistics Function of the Federal Reserve Bank of New York, in conjunction with the Federal Reserve Board of Governors, International Finance Division.

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