

## SUPPORTING STATEMENT

Request for approval of U.S. Treasury International Capital (TIC)  
Annual Survey  
of U.S. Ownership of Foreign Securities as of the last  
business day of each December (OMB Control No. 1505-0146)

### **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 measures U.S. ownership of foreign securities for portfolio investment purposes. In the years when a benchmark survey is conducted (form SHC), these data are provided by three different classes of reporters.

- (a) U.S.-resident custodians who provide safekeeping services for their own firm as well as for others. These organizations will provide the vast majority of the data collected on the survey, using Schedule 2.
- (b) U.S.-resident end-investors who either keep foreign 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 organizations will provide their data using Schedule 2.
- (c) U.S.-resident custodians and end-investors who arrange for safekeeping of foreign securities at U.S.-resident custodians. These organizations will provide their data using Schedule 3.

In the intervening years when annual surveys are conducted (Form SHCA), these data are provided by the same three classes of respondents.

The potential reporting universe would consist of every U.S. resident individual and institution, since any individual or institution can purchase foreign securities. As a practical matter, such holdings tend to be highly concentrated, with most holdings entrusted to large U.S. custodians who report on Schedule 2. U.S.-resident end-investors entrusting their holdings of foreign securities directly to foreign custodians tend to be large insurance companies, pension funds, and mutual funds. The full benchmark surveys collect data from approximately 1000 custodians and end-investors, which we believe includes all institutions believed likely to be significant sources of information on U.S. ownership of foreign securities. These firms will be identified based on past survey filings, industry surveys, the financial press, other TIC system reports, regulatory reports, information from the SEC, and data from commercial vendors. The last benchmark survey was conducted as of December 31, 2011.

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

Regarding the annual survey (SHCA), the December 2013 survey collected data from the largest U.S.-resident custodians and end-investors, based on the data reported in the 2011 Benchmark survey and in the SLT data reported as of December 2012. These respondents accounted for over 99 percent of the data reported in the 2011 Benchmark survey. The remaining 1 percent was accounted for in the December 2013 data by using TIC SLT data from reporters on the SLT panel but not on the SHCA annual survey panel. These data are used to adjust the data upward in order to make annual survey figures comparable to SHC benchmark survey figures. The SLT data provided the aggregate market value by country of issuer and type of industry (government or other). To determine the distribution of securities holdings across other relevant characteristics not available from the SLT (i.e., maturity, currency, industry, and security type), data were used from reporters on the annual survey panel that were considered to be similar to reporters on the non-survey SLT panel. Additional adjustments were also made on these data to account for yearly changes in valuation, which were based on observed market conditions.

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.

(a) Regarding the annual survey (SHCA), the December 2013 survey collected data from the largest U.S.-resident custodians and end-investors, based on the data reported in the 2011 Benchmark survey and in the SLT data reported as of December 2012. These respondents accounted for over 99 percent of the data reported in the 2011 Benchmark survey. The remaining 1 percent was accounted for in the December 2013 data by adding the securities reported in the 2011 Benchmark survey by the respondents who were not part of the 2013 annual survey panel. The data added were adjusted to maintain the years to maturity that were originally reported for debt instruments.

(b) For the survey as of end-December 2013, the data added for respondents who reported in 2011 but not in 2013 were adjusted using TIC SLT data from reporters on the SLT panel but not on the annual survey panel. The data are used to adjust the data upward in order to make SHCA annual survey figures comparable to SHC benchmark survey figures. The SLT data provided the aggregate market value by country of issuer and type of industry (government or other). To determine the distribution of securities holdings across other relevant characteristics not available from the SLT (i.e., maturity, currency, industry, and security type), data were used from reporters on the annual survey panel that were considered to be similar to reporters on the non-survey SLT panel. Additional adjustments were also made on these data to account for yearly changes in valuation, which were based on observed market conditions.

(c) 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 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 Office of the General Counsel 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 31 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.

The procedures in use will be similar to those used on past surveys that have proven to be quite successful. The 2013 survey will be the fourteenth survey of U.S. holdings of foreign securities conducted since 1994, in addition to the seventeen previous surveys of foreign holdings of U.S. securities since 1974. On past surveys we have also sampled reporters who would have been excluded using typical screening techniques and found that very little additional data was obtained, confirming the adopted approach.

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.

Vadim Tovshteyn	212-720-8465	Federal Reserve Bank of New York
Carol Bertaut	202-452-3476	Board of Governors of Federal Reserve System
Christopher Gohrband	202-606-9564	Department of Commerce
Dwight Wolkow	202-622-1276	Department of the Treasury

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.

September 10, 2014.