

SUPPORTING STATEMENT

Request for revision of Treasury International Capital (TIC) Form SLT (OMB No. 1505-0235)

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

Treasury International Capital (TIC) Form SLT, “Aggregate Holdings of Long-Term Securities by U.S. and Foreign Residents”, is filed by U.S.-resident custodians, U.S.-resident issuers of long-term securities, and U.S.-resident end-investors (including endowments, foundations, pension funds, mutual funds, and other investment managers/advisors/sponsors) in long-term foreign securities. U.S.-resident holders, both banking and non-banking institutions, of foreign portfolio equity and/or debt may be required to report.

The global financial crisis of 2008-09 highlighted the importance of enhanced surveillance of the world and national economies. The international financial community developed a heightened awareness of the importance of collecting economic and financial data, including more frequent and accurate data regarding each country’s external claims and liabilities. As a result, the United States needed to collect certain data on a frequent and accurate basis, including monthly holdings of long-term securities by country. Data on securities are important because they constitute a large portion of U.S. external claims and liabilities.

The Treasury International Capital (TIC) data reporting system collects monthly data on holdings of short-term securities and on purchases and sales of long-term securities. It also collects data annually, but not monthly, on holdings of long-term securities, but there is a lag of eight months between the as-of date of the survey and the release date of the preliminary data, and there is an additional two months of lag before the final data are released. Although the annual data currently collected on holdings of long-term securities, together with the monthly data on purchases and sales, can be used to roughly estimate aggregate monthly holdings of long-term securities by country, the time required to produce the estimates is lengthy and the estimates are usually revised substantially when the subsequent annual survey data are released.

Consequently, in 2011 the Department of the Treasury began the Form SLT collection of data on holdings of long-term securities on a monthly basis to ensure timely and accurate measurement of the aggregate holdings of long-term securities by country. That, in turn, improves the preparation of the U.S. balance of payments accounts and the U.S. international investment position, as well as the formulation of U.S. international financial and monetary policies. 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. Use of data

Data collected on TIC Form SLT constitute the most complete and readily available information on cross-border holdings of long-term domestic and foreign securities by U.S. and foreign residents. 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. international financial and monetary policies. Treasury, the Bureau of Economic Analysis of 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. There is public interest in the aggregate data and the news media report on the monthly Treasury press release of monthly TIC data.

Respondents covered by the reporting requirements of Form SLT 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 users, in the Board of Governors' *Federal Reserve Bulletin* and in the Commerce Department's *Survey of Current Business*. Historical time series data, both aggregate and by country, reported on Form SLT also are posted to the Treasury TIC website at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspx>.

3. Use of information technology

The option of filing TIC forms, such as Form SLT, via the internet has been available to respondents since January 2001.

Electronic filing of the TIC Form SLT report has been mandatory beginning with the reports as of June 30, 2014. Section II.H, Submission of Reports, in the instructions specifies that the TIC Form SLT report must be submitted electronically by using the Federal Reserve System's "Reporting Central" electronic submission system. That system is easy to use, secure, provides confirmation of the receipt of the data, and performs a number of validity checks of the file format of the report being filed. The SLT report can no longer be filed by mail or Fax and can no longer be reported on computer or other paper.

4. 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 positions data.

5. Impact on small entities

The reporting threshold of \$1 billion, which is applied to total portfolio holdings of long-term securities, effectively excludes small custodians, issuers, and end-investors from the reporting population. Data reporters will file one consolidated report for all U.S.-resident parts of their organizations, and the total will be the aggregate of holdings as issuer, end-investor, and custodian.

6. Consequences of less frequent collection and obstacles to burden reduction

The data are collected on an ongoing basis. The monthly submission date for filing Form SLT is twenty-three calendar days following the month 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. Circumstances requiring special information collection

Frequency of reporting: The circumstances that require Form SLT to be collected more often than quarterly are the unpredictable qualities and magnitudes of the data due to the rapidly changing factors influencing the securities industry, and the U.S. government's need for timely and reliable information on trends in international holdings of securities. The likely consequences of collecting this information less frequently are outlined in Item 6 above.

Apart from the foregoing case, there are no special circumstances regarding Form SLT that are inconsistent with the conditions outlined in Item A.7 of the Specific Instructions for Supporting Statements for Paperwork Reduction Act Submissions.

8. Solicitation of comments on information collection

Treasury's notice in the *Federal Register* soliciting public comment on Form SLT was published Wednesday, January 17, 2018, vol. 83, pages 2492-2493. The deadline for receiving comments was Monday, March 19, 2018. To bring attention to the *Federal Register* notices, the Federal Reserve Bank of New York (FRBNY) contacted all respondents reporting data on securities to FRBNY, and other district Federal Reserve Banks that process TIC data.

The *Federal Register* notice invited comments on the following proposed changes in the information collection: (1) The section II.A "Who Must Report," the section II.F "What Must Be Reported," and the section II.G.1 "How to Report" of the instructions are updated to list out separately "certain private funds", which are a subgroup of the class of financial entities defined by the Securities and Exchange Commission as private funds on Form PF. The *Federal Register* notice gave a link to a tool developed by the Bureau of Economic Analysis to enable reporters to see if they qualified under the new provisions, which are designed to reduce reporting burdens. (2) The section II.A "Who Must Report" of the instructions is updated to list out separately "principal trading firms" and "fund administrators." (3) The section II.A "Who Must Report" and section II.B "Consolidation Rules" of the instructions are updated to list out separately Intermediate Holding Companies (IHCs), as defined by Regulation YY, 12 CFR 252, and to clarify that IHCs should follow the same consolidation rules that are applicable to Bank Holding Companies (BHCs), Financial Holding Companies (FHCs), and Savings and Loan Holding Companies. Regulation YY was effective by January 1, 2015, and IHCs are filing TIC reports; this update will formalize their reporting requirements. (4) The section II.F.2 "What Must Be Reported"

of the instructions is updated to clarify that, regarding securities involved in security lending agreements and repurchase/resale (reverse repurchase) agreements, sales of the underlying security collateral to other parties and the purchases of such securities from other parties, undertaken in order to return the security collateral to the lenders, must be reported. (5) The section IV.C.1 columns 1 & 2 “Column by Column Instructions” of the instructions is updated to clarify that the stripped securities “teddy bears” (TBRs), “tigers” (TIGRs), “cats” (CATS) and “cougars” (COUGRs) should also be classified as U.S. Treasury securities. (6) The section II.F.2 “What Must Be Reported” clarifies that long-term Treasury securities are: Bonds, Notes, TIPS, FRNs and Savings Bonds. (7) Some other clarifications and format changes may be made to improve the instructions.

Two letters were received in response to the *Federal Register* notice.

A letter from the Commerce Department’s Bureau of Economic Analysis (BEA), dated February 21, 2018, strongly supported the continued collection of data by the Form SLT and the proposed changes, including: the instructions for private funds and intermediate holding companies; clarifications about Treasury securities; and continued exclusion of repurchase/resale agreements and security lending agreements.

The second letter was from the Regulatory Fundamentals Group (RFG), dated March 16, 2018. It did not mention the proposed changes, but instead commented with respect to another part of the notice “ways to enhance the quality, usefulness and clarity of the information to be collected.” The letter had five comments and offered helpful suggestions about where clarifications in the instructions, tailored to scenarios faced by clients of RFG, could simplify reporting by the clients and possibly reduce the number of redundant inquiries clients need to make. The letter and Treasury responses are summarized below.

(1) *RFG*: Reporting for foreign securities held by a “custodian” with foreign affiliates. Concerning reporting as an investor, or “end-investor” (as the term is used in the instructions), a U.S. reporter is directed to report, on Part B, on foreign securities that are not held by an unaffiliated U.S. custodian. In some instances, RFG clients may have placed assets with a prime broker (in effect, serving as the “custodian”) where the underlying contract allows the prime broker-custodian to transfer the assets between the prime broker’s domestic entity and foreign affiliates.

RFG proposed that that the instructions should address this scenario and clarify that where an end-investor’s asset are contractually placed with a U.S. resident prime broker, the end-investor has no further obligation to report on, or track the location of, the securities. Any such tracking obligation would place an onerous burden on the end-investor. RFG was uncertain about the current reporting practice and requirements for a prime broker-custodian that has swept third-party assets to an offshore affiliate. But the task of figuring out which sub-entity is holding client assets and whether the entity is foreign or domestic, is already known to the contracting prime broker-custodian and, if desired, could presumably be allocated to that entity as part of the instructions.

Treasury response: We have added clarifications in two parts of section II.A, “Who Must Report.” In the first sentence of part 1 on page 5, we note that prime brokers can act as

custodians in TIC reporting: “1.a. U.S.-resident custodians (includes Prime Brokers) must report in Part A...” Later in that paragraph, the term “U.S. residents” has been changed to “U.S.-resident issuers or U.S.-resident end-investors.” In part 3 on page 6, a new first sentence has been added that reads: “U.S.-resident end-investors have no obligation to report if using a U.S.-resident custodian.”

(2) *RFG*: Reporting for foreign securities in managed accounts (this question is also relevant for the TIC Form S and Form SHC).

Concerning the calculation of whether the \$1 billion threshold is met, as well as reporting obligations on Part B, most of *RFG*'s clients use the services of investment managers to manage portions of their endowment in managed accounts. The instructions indicate that both investment managers and certain types of investors are deemed to be an “end-investor” and there is no mention as to the handling of securities in managed accounts. *RFG* has received inconsistent advice from staff as to who has the responsibility for reporting the securities in managed accounts. Ultimately *RFG* was instructed to have our clients call for guidance as to their particular facts. *RFG* suggests that the instructions be clarified to address the following scenarios:

(a) May an investor rely on a U.S.-based investment manager to report on the investor's holdings in the manager's TIC filings?

(b) In doing so does an investor need to consider the manager's materiality thresholds? For instance, if the investor is large enough to have a filing obligation, but specific underlying holdings are reportable by a manager that is NOT large enough to have a filing obligation, does the investor need to pick those securities up in its filing?

(c) Also concerning managed accounts, if the manager is responsible for the reporting of the foreign securities, is that still the case if the manager is a foreign manager? If the foreign manager does not have a reporting obligation, does the U.S. owner of the managed account have an obligation to report on the securities? It appears to us that the instructions are directed to U.S. resident entities, but we do not see specific guidance for this scenario and have, in the past, received advice that only the manager files.

RFG suggested that the instructions specify that the U.S. manager always has the obligation to report the foreign securities in managed accounts, regardless of meeting the thresholds (or upon meeting a threshold that Treasury finds relevant). This would achieve consistency and accuracy among the reports, as well as reduce the burden for charitable investors.

Alternatively, the rule could provide that the end-investor must report securities held in managed accounts. A potential middle ground situation where the investor must contact each manager to ascertain if the manager is reporting on the investor's securities, and then report those that the manager is not reporting, is the most onerous and inefficient way of handling the issue. However, it may be that this is what some investors are being tasked with.

Treasury response: (a) In part 3 of section II.A concerning U.S.-resident end-investors, the long sentence in the first paragraph has been split into two sentences. The first sentence has been expanded to mention “managed accounts and asset pools”, terms already used in the TIC Glossary entry for “U.S.-resident end-investor.” The resulting two sentences read,

“These securities include those that are held-for-trading, available-for-sale, held-for-maturity, or which have been invested on behalf of others, including managed accounts and asset pools. U.S.-resident end-investors include managers of mutual funds, insurance companies, private funds, fund of one (see section II.G.1), and pension funds as well as investment managers/advisors, principal trading firms (PTF), prime brokers, fund administrators, and fund sponsors.”

(b) and (c) No changes have been made. We think the instructions are clear for U.S.-resident non-manager end-investors (which we believe characterizes the RFG clients being considered) that: (i) the holdings of U.S. funds are reportable by their U.S. fund managers (if the total of all managers' funds meets TIC reporting thresholds) and that the investments by end-investors in a U.S. fund are not reportable to TIC because they are U.S. to U.S. position; (ii) for a foreign fund, only the shares in that fund are reportable by the U.S. end-investor, not the fund's holdings of foreign securities; (iii) In the case of managed accounts, where the holdings of foreign securities are in the name of the U.S. end-investor, then the reporting is the responsibility of the end-investor unless there is another custodial arrangement between the U.S. end-investor and the U.S. manager exists; and (iv) having established reporting responsibilities, such as in (i) through (iii), then one can determine what to include in the consolidated total for an entity, at which point the TIC reporting thresholds are taken into consideration regarding whether TIC reports must be filed.

(3) *RFG*: Reporting for foreign securities in a “fund of one” or with large limited partnership interests (over 50%) in commingled fund.

Some of RFG's clients may invest through a vehicle that is structured as a “fund of one” where there is a general partner, but the client is the only limited partner; or alternatively, they may invest in a commingled fund such that they, as a limited partner, have a greater than 50% interest. (This might occur, for example, during the initial ramp-up of a fund or if other investors redeem.) RFG was unclear who has the obligation for reporting on the foreign securities held by those funds. Page 6 of the instructions indicate that investment managers/advisors and fund sponsors of private investment vehicles may be end-investors, but does not provide any definitive guidance in this scenario. Further, the instructions at page 7 requires reporting for a subsidiary, which is defined in the TIC Glossary as “a company in which another company (parent) owns 50% or more of the voting securities, or an equivalent interest, or meets the consolidation requirements of U.S. GAAP” (emphasis supplied). Potentially under this test non-voting interests which enjoy certain types of rights would fall within the subsidiary definition. Regardless of the potential for consolidation under GAAP due to ASC 810-NO.2015-02, RFG suggested that Treasury specify that the U.S. manager always has the obligation to report the foreign securities in funds of one. Again, this instruction could apply without regard to meeting a threshold or upon meeting a threshold that Treasury finds relevant. RFG also requested confirmation that where a fund vehicle has a non-U.S. manager, that either (i) the investor is not required to report on the holdings of the fund or (ii) the investor is only required to report the fund holdings if it is the only limited partner in the fund or is taking an active managerial role on behalf of the fund. (In other words, the mere existence of undeployed rights, such as “kick out rights” as defined under ASC 810-NO.2015-02, would not be enough to trigger filing obligations).

Treasury response: (a) The three terms “fund of one”, “Limited Partnerships (greater than 50% interest); and “Subsidiaries (parent company owns greater than 50% interest)” have been added to the list of U.S.-resident end-investors in part 3 of section II.A, “Who Must Report.”

(b) The term “Fund of one” has been added to the list of funds in section II.G.1 on how to report on funds and on related equity holdings and ownership.

(c) Regarding the questions raised in the last part of the comment letter, if a U.S. fund has a foreign manager who will not report, then there must be a U.S. fund administrator or U.S. fund sponsor who would have the responsibility for reporting the U.S. fund’s holdings of foreign securities. If it is a foreign fund, then the U.S. end-investor is responsible to report its shares in that fund, but not the holdings of that fund.

4) *RFG:* Reporting for foreign securities held by a pension fund.

RFG requested clarification as to the entity with reporting obligations for a U.S. pension plan established by a U.S. reporter. Of course, if the securities are held by a U.S. custodian, the filing obligation falls on the U.S. custodian. But in the case where the securities are not held by a U.S. custodian, the instructions to the form and an FAQ on the website give disparate indications that filing may be required by the entity/reporter that established the pension plan, the manager of the plan, or the pension plan itself. Also, such plans are typically established as a trust. The instructions at page 8 state that a U.S. entity should consolidate information for all “trusts...created by the reporting entity.”

Treasury response: There are numerous ways that pension plans can be managed among plan/fund sponsors, managers, administrators, investment advisors/managers and others. Presently our guidelines do not cover who should file TIC reports in all scenarios that presently exist as they are constantly evolving. We will keep looking for ways to enhance the instructions to capture on a continuing basis these various types of reporting scenarios.

5) *RFG:* Question on pension plan as foreign trust.

RFG requested clarification that a U.S. reporter is not required to include in its filing assets held by a pension plan that is established as a foreign trust. (A foreign pension plan may be established to provide benefits to employees located in a foreign country.) As noted above, the instructions at page 8 state that a U.S. entity should consolidate information for all “trusts...created by the reporting entity.” However, of relevance to a foreign trust, page 7 of the instructions provides that an entity should consolidate “U.S. resident trusts” but does not refer to foreign trusts. This leads RFG to believe that foreign trusts were not contemplated for inclusion in the reports. Additionally, as noted above, there are other indications in the instructions that the appropriate filer is the manager of the pension plan, or the pension plan itself. In this case, the manager and the plan are not likely to be U.S. persons and so would appear to not have a reporting obligation. Since the trust beneficiaries are not likely to be U.S. residents, RFG thinks it may be that Treasury does not find such a filing relevant for the purposes of the form.

Treasury response: We agree that a U.S. reporter should not include a foreign trust in its consolidated total. For further clarity, we have inserted the word “only” into the cited

sentence on page 8 (in section II.C Exemption Level) to read as follows -- “The reporting entity should include reportable securities for only U.S.-resident parts of the reporting entity, including all U.S. subsidiaries and affiliates of the reporting entity, investment companies, trusts, and other legal entities created by the reporting entity.”

9. Provision of payments to recordkeepers

In respect of Form SLT or any other TIC form, there has been no provision of payments or gifts to respondents for any purpose.

10. Assurance of confidentiality

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.

11. Justification of sensitive questions

There are no questions of a sensitive nature.
This collection does not gather personally identifiable information.

12. Total annual hour burden:

Number of respondents – 401
Frequency of Responses – 12 per year
Annual Burden – 38,586 hours

Burden estimates are calculated for three different classes of data reporters.

- The first group is comprised of U.S. resident custodians, who provide safekeeping services for their own firm as well as for others. This type of organization will provide the vast majority of the data collected on Form SLT, using both Part A and Part B of the form, and thus will have the greatest burden.
- The second class of respondents is U.S. resident end investors who either keep securities in custody at their own site or who arrange for safekeeping abroad. In either case, no U.S.-resident custodian is employed to hold these foreign securities in safekeeping. These investors would report on all these holdings of foreign securities on Part B.
- The last class of reporters consists of U.S. resident issuers of securities, who are not custodians, that have issued securities directly to foreigners and, in addition, those foreigners do not hold the securities with U.S. custodians. These issuers would report the foreign holdings of those securities on Part B of the form.

The respondent population subject to Form SLT is approximately 401 banks, brokers, and nonbanking business enterprises that fall into the three classes of respondents described

above. We expect about 4,812 responses per year. We estimate there will be about 58 custodians that report relatively large amounts of data. With an estimated average reporting burden of 17 hours per filing by custodians and 6.5 hours per filing by 343 other respondents, the estimated total reporting burden on the public will be 38,586 hours per year.

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
401	12	4,812	8.019	38,586

Estimates of annualized cost to respondents: Generally, completion and review of the forms involves two persons. It is estimated that the average wage of persons completing the form is \$33.51 per hour (corresponding to an annual salary of \$69,706), while that of supervisory or other more senior staff reviewing the forms is \$50.74 per hour (corresponding to an annual salary of \$105,549). For 343 respondents filing 12 times per year, and using an average of 5.5 hours per form for completion plus 1.0 hour per review, and for 58 custodians filing 12 times per year, and using an average of 15 hours per form for completion plus two hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$1,387,920.

13. Estimated total annual cost burden to respondents

Total annual cost burden:

(a) Total annualized capital and start-up costs associated with Form SLT 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 17, 2018, included an explicit request for public comments on the estimates of cost burdens that are not captured in the estimates of burden hours. No comments on cost estimates were received.

14. Estimated cost to the Federal government

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

The total annualized cost to the Federal government is estimated to be approximately \$897,669. 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 SLT	
Salaries and benefits:	\$293,972
Other direct expenses for operations, support and overhead:	\$424,099
Computer systems and programming costs:	\$102,655
Other Treasury and Board of Governors costs (mostly salary):	\$76,943
Totals	\$897,669

15. Reason for change

There is a decrease in burden hours to 38,586 as compared to the estimate of 42,912 currently carried in OMB's Information Collection Inventory. The total overall decrease of 4,326 hours is entirely the result of a decrease in the number of respondents.

16. Plans for tabulation, statistical analysis and publication

Form SLT is needed to collect the data on an ongoing basis. Aggregate data in considerable detail by country, including breakdowns of holdings of domestic and foreign long-term securities, are published monthly in the *Federal Reserve Bulletin* and quarterly in the *Survey of Current Business*. Historical time series data, both aggregate and by country, reported on Form SLT 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, 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. Reasons why displaying the OMB expiration date is inappropriate

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

18. Exceptions to certification requirement 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.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of this information does not employ statistical methods. Statistical methods are not appropriate for the type of information collected and would not reduce burden or improve accuracy of results.

April 2018