

## SUPPORTING STATEMENT

### Request for approval of U.S. Treasury International Capital (TIC) Form D

### Report of Holdings of, and Transactions in, Financial Derivatives Contracts with Foreign Residents (OMB Control No. 1505-0199)

#### A. JUSTIFICATION

##### 1. Circumstances necessitating the collection of information

Treasury International Capital (TIC) Form D, "Report of Holdings of, and Transactions in, Financial Derivatives Contracts with Foreign Residents", is filed by all major U.S. resident participants in derivatives markets to report transactions in, and fair values of holdings of, derivatives contracts with foreign resident counterparties. Derivatives are important financial instruments, and are included in international standards for reporting economic and financial statistics. This data collection is the only source of U.S. derivatives data on cross-border transactions and positions that is compiled on the residency basis required for the balance of payments accounts. This report is required by E.O. Number 10033 of February 8, 1949 and implementing Treasury Regulations (31 CFR 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 D constitute the most complete and readily available information on U.S. residents' holdings and transactions in derivatives contracts with foreign resident counterparties. The data are necessary for compiling the U.S. balance of payments accounts and the U.S. international investment position; for complying with international data reporting standards; 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. Consistent with procedures for the TIC reporting forms, respondents covered by the reporting requirements of Form D report directly to the Federal Reserve Bank of New York (FRBNY), which acts as fiscal agent of the Treasury. The data are processed and aggregated by FRBNY and then transmitted to the Treasury to be used for the purposes outlined above. The data are published regularly in aggregate statistical formats, for the benefit of private sector users. The Commerce Department's Bureau of Economic Analysis (BEA) uses the quarterly TIC data on the net settlements and the fair values of derivatives contracts in compiling estimates for BEA's International Investment Position (IIP) and the International Transactions Accounts (ITAs). The quarterly ITA release is found at: <http://www.bea.gov/international>. BEA includes stand-alone annual tables on the TIC-D data in the Survey of Current Business, usually in the July edition. The Treasury TIC website shows both current and historical information at <http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/index.aspx>.

3. Use of information technology

The instructions for Form D inform respondents that they may file electronically via the Federal Reserve's Reporting Central portal on the Internet; use computer printouts pursuant to specific agreement signed by a responsible officer of the reporting institution and the Federal Reserve Bank of New York with which the report is filed; or on paper in the approved file format that is available on the website. As respondents' internal methods of maintaining and retrieving reportable information vary widely for Form D, no single information technology can be prescribed to reduce burden on respondents.

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 flow data.

5. Impact on small entities

The reporting thresholds have been designed to reduce the overall reporting burden, especially on small entities. Reporting is required only if (1) the total notional value of worldwide holdings of derivatives (including contracts with U.S. and foreign residents, measured on a consolidated-worldwide accounting basis) for the reporter's own account and the accounts of the reporter's customers exceeds \$400 billion at the end of the calendar quarter being reported, or (2) the amount reported by a TIC D reporter for Grand Total Net Settlements during the quarter (Part 1, Column 3, Row 7) exceeds \$400 million (either a positive or negative value). Once either exemption level is exceeded, a reporter must submit TIC Form D for that calendar quarter, for the remaining quarters in the same calendar year, and for each quarter of the following calendar year, even if the thresholds are not again exceeded. The thresholds effectively exclude smaller U.S.-resident participants in derivatives markets from the reporting population.

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

As is the case for all TIC reporting forms, the data are collected on an ongoing basis. The submission date for Form D filing is no later than 50 calendar days following the quarter 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

There are no special circumstances associated with Form D 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 D was published Wednesday, May 2, 2018, pages 19405-6. The deadline for receiving comments was July 2, 2018. Because of delays in mail delivery, Treasury waited until July 6 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.

The *Federal Register* notice proposed no changes in the Form D, and several changes in the instructions. The revised instructions: (1) list “intermediate holding companies” in section I.C “Who Must Report/consolidation” to formalize the reporting role of these companies which were created in 2015 under Regulation YY, 12 CFR 252; . (2) clarify, in section IV.A “Specific Instructions for Part 1/over-the-counter contracts”, that a central counterparty clearing house (CCP) is not considered an organized exchange for purposes of the TIC D report; (3) move the glossary items to the separate consolidated TIC Glossary document on the Treasury website; and (4) update section I.E/“where to report”, some internet links, and descriptions of “other statistical reports” in section I.B.

We received one letter with comments. The letter, dated June 4, 2018, was from the Department of Commerce’s Bureau of Economic Analysis (BEA). In the letter, BEA strongly supported the continued collection of TIC Form D data. BEA observed that the data are crucial to key components of BEA’s economic statistics. The data cover financial derivatives and allow BEA to eliminate a major gap that would otherwise exist in the U.S. International Transactions accounts.

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 D. The Board of Governors and the BEA are both major users of the data in aggregate form.

In addition, the staff of the FRBNY maintains 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. Provision of payments to recordkeepers

Regarding Form D or any other TIC forms, there has been no provision of payments or gifts to respondents for any purpose.

10. Assurance of confidentiality

As for all TIC reporting forms, individual respondent data are confidential, and access to that information is strictly limited to selected staff of the Treasury, the Federal Reserve Board of Governors, and the Federal Reserve Bank of New York. Compliance with the Privacy Act is assured.

11. Justification of sensitive questions

There are no questions of a sensitive nature.

12. Total annual hour burden:

Number of respondents: 35  
Frequency of Responses: 4 per year  
Annual Burden: 4,200 hours

The respondent population subject to Form D is estimated at approximately 35 banks, bank holding companies, financial holding companies, securities brokers and dealers, insurance companies, futures commission merchants, and other major participants in derivatives markets. We expect about 140 responses per year. With an estimated average reporting burden of 30 hours per filing, based on information from several respondents, the estimated total reporting burden on the public is 4,200 hours per year.

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
35	4	140	30.0	4,200

Generally, completion and review of the form involves two persons. It is estimated that the average wage of persons completing the forms 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 \$105,539). For 35 respondents filing 4 times per year, and using an average of 26 hours per form for completion plus 4 hours per review, the total annualized cost to respondents for the burden hours is estimated to be \$150,391.

13. Estimated total annual cost burden to respondents

All cost figures are provided in Item 12 above. No special equipment is required to respond to this survey.

Total annual cost burden:

- (a) Total annualized capital and start-up costs associated with Form D are estimated to be \$0 (zero dollars). In general, reporting on the form 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 form does not in general impose operations, maintenance, or specialized services costs that are not already associated with the customary and usual practices of respondents.

Note: As required by OMB, the *Federal Register* notice of May 2, 2018 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, but the estimate in 13(a) was made to reflect comments by some respondents during the design of the form.

14. Estimated cost to the Federal government

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

The total annualized cost to the Federal government is estimated to be approximately \$77,759. 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, dissemination of results, etc.

Estimated Annual Federal Costs for Form D

Salaries and Benefits	\$35,161
Overhead and Support Costs	\$34,755
Computer System and Programming Costs	\$ 7,843
Total	\$77,759

15. Reason for change

There is no change in the annual hour burden.

16. Plans for tabulation, statistical analysis and publication

Form D is needed to collect the data on an ongoing basis. Aggregate data are published by the Bureau of Economic Analysis in its quarterly International Transactions Accounts, and

annually in the *Survey of Current Business*. The Treasury TIC website shows both current and historical information at

<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, to avoid violating the confidentiality of any single respondent's submission. In addition, it is expected that tabulations of these data are made on an *ad hoc* basis for senior officials at the Treasury and the Federal Reserve 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.

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