

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 Control No. 1505-0123)

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

The Foreign Portfolio Investment Survey is undertaken by the Department of the Treasury pursuant to the International Investment and Trade in Services Act (22 U.S.C. 3101 et seq. [the "Act"]). Responsibility for provisions of the Act that pertain to portfolio investment was delegated to the Secretary of the Treasury by the President in Section 2 of Executive Order 11961 on January 19, 1977.

Before June 2002, the surveys were conducted at approximately five-year intervals, the minimum frequency required by the Act, and all were large-scale surveys to collect comprehensive data on long-term securities from all significant U.S.-resident custodians and U.S.-resident security issuers. The most recent quinquennial survey (also called a benchmark survey) of foreign portfolio investment in U.S. securities was conducted by the United States as of June 28, 2019.

Major financial crises around the world from 1997-2001 revealed important gaps in data. The International Monetary Fund (IMF), strongly supported by the United States, led a global effort to increase the frequency and scope of data collection. A key part of this effort, known as the Special Data Dissemination Standard (SDDS), is annual surveys of portfolio liabilities. Beginning in June 2002 this data collection has been conducted annually and covers both short-term and long-term securities. To obtain data annually, the continuing quinquennial surveys (Form SHL) are supplemented by smaller annual surveys (Form SHLA) in the intervening years. To minimize both reporter burden and the cost to the government, these new annual surveys (SHLA) are collected from a much smaller reporting panel than is used for the quinquennial surveys (SHL). Whereas a quinquennial survey (SHL) requires reporting by over 500 firms, only the approximately 100 largest data providers from the previous quinquennial survey will be reporters in the annual surveys (SHLA). The data requested will be the same for both Form SHL and Form SHLA; in any year, only one of the forms will be used. The data collected under the annual reports are used in conjunction with the results of the previous quinquennial survey to compute economy-wide estimates for the years of annual surveys.

Importance of the Data. The data collected in these surveys have become increasingly important in recent years as foreign investment in the United States has been increasing rapidly. In 1974, approximately 5 percent of all U.S. long-term securities (stocks, corporate and government debt instruments) were held by foreign residents. As of June 2020, over 21 percent of the total value of U.S. securities were foreign held.

2. Use of data

The data collected constitute a major component in the calculation of the U.S. international transactions (balance of payments) and the U.S. international investment position. For this purpose, the results of the survey are provided to the Bureau of Economic Analysis in the Department of Commerce. In addition, the data are used within the U.S. government to understand the magnitude and structure of foreign investment in the United States, and as an element in the formulation of international economic and financial policies. The data as published by the Treasury are used by the private sector and academia in international financial analysis and by international organizations.

3. Use of information technology

Essentially all the data collected by the survey will be received in electronic form, with respondents having the option of reporting on various electronic media. Reporting electronically greatly decreases reporter burden, as reporters can query their databases and transfer the results directly to media that will be provided to the survey staff. Such procedures will also significantly reduce the cost to the government to process the data.

The survey administrators will also acquire significant amounts of the data required for the survey from commercial firms whose business it is to compile financial market data, thus minimizing the amount of data required from reporters. In addition, commonly asked questions and answers pertaining to the survey, along with copies of the forms and instructions, will be posted on the Internet for the convenience of reporters.

4. Efforts to identify duplication

There is no alternative source for the data that these surveys will collect. Though there are some partial aggregates for foreign holdings of U.S. short-term securities available, these are not collected at the level of detail that is necessary for the needs of this survey, which requires information on debt repayment schedules, sector of debtor, and currency composition.

5. Impact on small entities

The data collection will not involve small businesses or other small entities. The annual surveys (SHLA) will involve only very large organizations. Regarding the quinquennial surveys (SHL), it should be noted that organizations holding foreign owned securities totaling less than \$200 million are exempt from the survey, thus effectively removing small businesses from the survey.

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

The data are required by law to be collected at least once every five years.

This data collection is the only source of accurate, detailed information on foreign holdings of U.S. securities. Lack of this information on foreign holdings of U.S. securities would adversely affect the accuracy of the U.S. international transactions (balance of payments) and the U.S. international investment position, both of which are key data used in the formulation of U.S. international economic and financial policies.

In addition, the United States would not be able to meet its commitment to comply with the IMF's Special Data Dissemination Standard (IMF SDDS) for the external debt category. The SDDS is a key mechanism advocated by the United States and implemented by the IMF to improve transparency and to help reduce the risk of financial crisis. The external debt category provides for the timely, detailed release of information on countries' external debt positions and future debt repayment obligations to foreigners. The SDDS has dramatically increased the availability of information on countries' economic and financial situations and thus contributed importantly to the more efficient functioning of international capital markets.

7. Circumstances requiring special information collection

There are no special circumstances regarding Form SHL/SHLA 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 SHL/SHLA was published Wednesday, March 31, 2021, volume 86, pages 16842-16843. The deadline for receiving pre-clearance comments was June 1, 2021.

The *Federal Register* notice proposed no changes in the Form SHL/SHLA or in the instructions.

We received one letter with comments. The letter, dated April 12, 2021, was from the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. The letter said BEA strongly supports the continued collection of data on Forms SHL/SHLA. The letter also said the data collected on these forms are crucial to key components of BEA's economic statistics.

Staff at the Federal Reserve Bank of New York has ongoing discussions with respondents and organizations that are representatives of the respondent panel for the survey, such as the Bank Policy Institute.

9. Provision of payments to recordkeepers

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

10. Assurance of confidentiality

The International Investment and Trade in Services Survey Act mandates that information filed on individual reports may be used only for analytical and statistical purposes within the U.S. Government and to enforce the Act. Access to the information is available only to officials and employees (including consultants and contractors and their employees) designated to perform functions under the Act. No information can be published or made available in a manner that specifically identifies the person who furnished the information unless the prior written consent of the person is given. Persons having access to individual company information submitted pursuant to the Act are subject to penalties for unauthorized disclosure.

11. Justification of sensitive questions

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

12. Total annual hour burden:

Average Annual Number of respondents – 317
Frequency of Responses – one per year
Annual Burden – 42,035 hours

The estimated number of respondents (an annual average over five years) is about 317, but this varies widely from about 842 in the year of a quinquennial survey (form SHL; once every five years) to about 186 in the intervening years of smaller annual surveys (form SHLA; four out of every five years). The frequency of the data collection is annual. The estimated annual hour burden (an annual average over five years) is about 42,035 hours, but this varies widely from about 77,942 hours in the year of a quinquennial survey (SHL) to about 33,058 hours in the year of a smaller annual survey (SHLA).

# Respondents	# Responses per Respondent	Total Annual Responses	Hours Per Response	Total Burden
317	1	317	132.52	42,035

The annual hour burden per respondent (an annual average over five years) is about 132.5 hours. The burden is based on estimates of the average time per report for different groups of respondents, plus an additional hour per respondent for record keeping purposes. The annual hour burden will vary widely from respondent to respondent. (a) In the year of a quinquennial survey (form SHL, conducted once every five years), it is estimated that about 170 exempt respondents will each require an average of 17 hours per report to determine their status; for about 131 custodians of securities, the estimate is 321 hours per report on average, but this figure will vary widely for individual custodians; and for about 541 issuers of securities that have data to report and are not custodians, the estimate is 61 hours per report. (b) In the year of an annual survey (form SHLA, conducted four out of every five years): for about 34 largest custodians of securities, the estimate is 486 hours per

report on average; for about 150 largest issuers of securities that have data to report and are not custodians, the estimate for each report is 110 hours; and for about two exempt entities, the estimate for each report is 17 hours.

In any given year, either Form SHL or Form SHLA, but not both, will be filed by respondents. While each form has two schedules, almost all the effort required is for schedule 2. Schedule 1 contains only identification information (company name and address, contact name and telephone number, etc.), attestation that the data reported are believed to be correct, and an arithmetic summary of the information reported on schedule 2.

Assuming an average wage rate of \$56.04 an hour (corresponding to an annual salary of \$116,566), the annualized cost (an annual average cost over five years) to the average firm to complete this survey is estimated to be about \$7,426. The breakdown by component survey is as follows. For a quinquennial survey (SHL), the cost to the average reporter is about \$5,187, where this is the weighted average of costs of about \$953 for each exempt reporter, \$3,418 for the average issuer of securities, and \$17,989 for the average custodian. For an annual survey (SHLA), the cost to the average reporter is about \$9,960, where this is the weighted average of costs of about \$953 for each exempt reporter, \$6,164 for the average issuer of securities and \$27,235 for the average custodian. No special equipment is required to respond to this survey.

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 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 March 31, 2021, 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

The total annualized cost to the Federal government is estimated to be approximately \$2.9 million annually. 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 previous portfolio investment surveys. Treasury Department staff has included estimated costs for advisory services, reviews, etc. The Annualized Cost is the average cost over five years of one quinquennial survey (SHL) and four subsequent smaller annual surveys (SHLA).

	Total SHL Costs (one year)	Total SHLA Costs (one year)	Annualized Cost (five- year average)
Salaries and benefits:	944,135	1,054,131	
Overhead and support costs:	1,442,582	1,476,914	
Computer system, program costs:	603,305	303,632	
<u>Totals</u>	\$2,990,022	\$2,834,677	\$2,865,746

15. Reason for change

The total average burden hours are 42,035, which is 1,242 hours more than the estimate of 40,793 hours currently in OMB's Information Collection Inventory. The total average number of responses is 317, which is 68 more than the estimate of 249 responses currently in OMB's Information Collection Inventory. The total overall increase of 1,242 burden hours and the total overall increase of 68 responses is due solely to an estimated increase of 68 respondents, from 249 to 317, that has occurred naturally since 2018.

16. Plans for tabulation, statistical analysis, and publication

The survey results will be published and made available to the public annually. A full report on the survey findings will be produced and made available on the Internet at the Treasury website: <https://home.treasury.gov/data/treasury-international-capital-tic-system/us-liabilities-to-foreigners-from-holdings-of-us-securities> .

The report will show the total level of foreign portfolio investment in United States securities, the amounts invested in various types of U.S. securities, the countries of foreign investors, and the types of foreign investors. In addition, analysis of the overall percentage of various types of U.S. securities foreign held will be shown, and trends in these holdings over time will be presented. The report will also discuss the growth of foreign investment in U.S. long-term securities compared with other types of portfolio investment, such as bank loans or deposits. The patterns of foreign investment by industry will be shown. Further, the maturity structure and currency composition of foreign holdings of U.S. securities will be presented.

The schedule of major milestones follows.

April 2021

Information about the forms mailed to respondents.

June 30, 2021	Date for which data are to be submitted.
August 30, 2021	Last date by which survey respondents must report.
End-February 2022	Data aggregation completed.
End-April 2022	Public report completed.

17. Reasons why displaying the OMB expiration date is inappropriate

This approval is not being sought. The 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.

October 2021