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 about 700 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, 2021. The next benchmark survey is scheduled to be conducted as
of December 31, 2026.

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 2023 survey collected data
from the largest U.S.-resident custodians and end-investors, based on the

data reported in the 2022 annual SHCA survey and in the Aggregate Holdings of Long-Term Securities (form SLT) data reported as of June 2023. The SHCA 2023 respondents accounted for over 95 percent of the data reported in the 2021 Benchmark survey. The remaining less-than-5 percent was accounted for in the December 2023 data by using TIC SLT data from reporters on the SLT panel but not on the SHCA annual survey panel as well as SHC 2021 data from reporters not in the TIC SLT panel. These data are used to adjust the data upward 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 2023 survey collected data from the largest U.S.-resident custodians and end-investors, based on the data reported in the 2022 annual survey and in the SLT data reported as of June 2023. These respondents accounted for over 95 percent of the data reported in the 2021 Benchmark survey. The remaining less-than-5 percent was accounted for in the December 2023 data by adding the securities reported in the 2021 Benchmark survey by the respondents who were not part of the 2023 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 2023, the data added for respondents who reported in 2021 but not in 2023 were adjusted using June 2023 TIC SLT data from reporters on the SLT panel but not on the annual survey panel and SHC 2021 data from reporters who were not on the SLT 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 issuer (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.

(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.   <u>Describe methods to maximize response rates and to deal with issues of non-response.</u>

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 50-year history of these surveys this is the only instance where such measures were required, and this case occurred over 40 years ago.

4. <u>Describe any tests of procedures or methods to be undertaken.</u>

The procedures in use will be similar to those used on past surveys that have proven to be quite successful. The 2024 survey will be the twenty-fifth survey of U.S. holdings of foreign securities conducted since 1994, in addition to the twenty-nine 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.   <u>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.</u>

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 data collection is 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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