



U.S. DEPARTMENT OF THE TREASURY

Proposed Collection; Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork burdens, invites the general public and other Federal agencies to comment on revisions in 2017 of a currently approved information collection that is proposed for approval by the Office of Management and Budget. The Office of International Affairs within the Department of the Treasury is soliciting comments concerning the revision of the Annual Report of U.S. Ownership of Foreign Securities, including Selected Money Market Instruments. The next such collection is an annual survey to be conducted as of December 31, 2017.

DATES: Written comments should be received on or before [insert 60 days after date of publication] to be assured of consideration.

ADDRESSES: Direct all written comments to Dwight Wolkow, International Portfolio Investment Data Systems, Department of the Treasury, Room 5422 MT, 1500 Pennsylvania Avenue NW, Washington DC 20220. In view of possible delays in mail delivery, you may also wish to send a copy to Mr. Wolkow by email (comments2TIC@do.treas.gov) or FAX (202-622-2009). Mr. Wolkow can also be reached by telephone (202-622-1276).

FOR FURTHER INFORMATION CONTACT: Copies of the proposed form and instructions are available at Part II of the Treasury International Capital (TIC) Forms webpage “Forms SHL/SHLA & SHC/SHCA”, at: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms-sh.aspx#shc>. The proposed forms (called schedules) are unchanged from the previous survey that was conducted as of December 31, 2016 (SHC(2016)). The “Current

Actions” below are changes in the previous instructions. Requests for additional information should be directed to Mr. Wolkow.

SUPPLEMENTARY INFORMATION:

Title: Treasury International Capital (TIC) Form SHC/SHCA “U.S. Ownership of Foreign Securities, including Selected Money Market Instruments.”

OMB Control Number: 1505-0146.

Abstract: Form SHC/SHCA is part of the Treasury International Capital (TIC) reporting system, which is required by law (22 U.S.C. 3101 et seq.; E.O. 11961; 31 C.F.R. 129) and is used to conduct annual surveys of U.S. residents’ ownership of foreign securities for portfolio investment purposes. These data are used by the U.S. Government in the formulation of international financial and monetary policies, and for the computation of the U.S. balance of payments accounts and of the U.S. international investment position. These data are also used to provide information to the public and to meet international reporting commitments. The SHC/SHCA survey is part of an internationally coordinated effort under the auspices of the International Monetary Fund to improve data on securities worldwide. Most of the major industrial and financial countries conduct similar surveys.

The data collection includes large benchmark surveys conducted every five years, and smaller annual surveys conducted in the non-benchmark years. The data collected under an annual survey are used in conjunction with the results of the preceding benchmark survey and of recent SLT reports to make economy-wide estimates for that non-benchmark year. Currently, the determination of who must report in the annual surveys

is based primarily on the data submitted during the preceding benchmark survey and on data submitted on SLT reports around June of the survey year. The data requested in the annual survey will generally be the same as requested in the preceding benchmark report. Form SHC is used for the benchmark survey of all significant U.S.-resident custodians and end-investors regarding U.S. ownership of foreign securities. In non-benchmark years Form SHCA is used for the annual surveys of primarily the very largest U.S.-resident custodians and end-investors.

Current Actions:

No changes in the forms (called schedules) are made from the previous survey that was conducted as of December 31, 2016. The proposed changes in the instructions are:

(1) Because the next survey is an annual survey (SHCA), section II.A in the instructions, “Who Must Report”, is changed to begin with the following paragraph “All U.S.-resident entities that have been contacted by the Federal Reserve Bank of New York to report must file the SHCA report. (See Section II.C, Exemptions.) All other entities are exempt from reporting.” Elsewhere in the instructions, all references to “SHC” (the benchmark survey of 2016) are changed to “SHCA”.

(2) In section II.A.(2) “Who Must Report/End-Investors”, the list is edited to show “Intermediate Holding Companies” (IHCs), which are defined by Regulation YY, 12 CFR 252, 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. In addition, IHCs are mentioned in the line-by-line instructions for Schedule 1 (section IV.A.8.5) and Schedule 2 (section IV.B.15.6).

(3) In section II.A.2 “End-Investors” and in section III.C.3.(a) under the subsection “How to Report Hedge Funds and other alternative investment vehicles”, the list of legal entities is expanded to include fund “administrators”.

(4) The section II.A.2 “End-Investors”, section III.A “Reportable Foreign Securities/Equity Interests”, section III.C.1 “Funds and Related Holdings” and the new section III.C.3.(c) “Direct investment exception for certain private funds” are all revised 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: “any issuer that would be an investment company as defined in section 3 of the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of ... [that] Act.”. In cooperation with the Bureau of Economic Analysis (BEA) effective for TIC reports beginning as of January 2017 and afterwards, reporters of investments in certain private funds that meet the definition of direct investment (that is, ownership by one person of 10 percent or more of the voting interest of a business enterprise) but display characteristics of portfolio investment (specifically, investors who do not intend to control or influence the management of an operating company) are required to report through the Treasury International Capital (TIC) reporting system, where other related portfolio investments are already being reported, and not to report on BEA’s direct investment surveys. Specifically, cross-border investments by or into private funds are included in TIC reports regardless of ownership share if they meet BOTH of the following two criteria: (i) The private fund does not own, directly or indirectly through another business enterprise, an “operating company” – i.e., a business enterprise that is not a private fund or a holding

company— in which the U.S. parent owns at least 10 percent of the voting interest, and

(ii) If the private fund is owned indirectly (through one or more other business enterprises), there are no “operating companies” between the U.S. parent and the indirectly-owned private fund. Direct investment in operating companies, including investment by and through private funds, will continue to be reported to BEA. Guidance on the decision to report investments in certain private funds or between entities of certain private funds in the TIC system or in BEA surveys can be found at:

<https://www.bea.gov/privatefunds>; use the tool labeled “U.S. Investments in Foreign Private Funds”. This change in reporting requirements aligns the U.S. direct investment and portfolio investment data more closely with the intent of the investment with respect to management control. In addition, it reduces burden for respondents, many of whom previously reported both to the TIC reporting system and to BEA’s direct investment reporting system. Note: this change applies also to these other TIC forms if the reporting requirements of the form are met: BC, BL-1, BL-2, BQ-1, BQ-2, BQ-3, D, S, SLT, and SHL/SHLA.

(5) Section III.G “Direct Investment” has been, in effect, expanded to be equal to the detailed description of direct investment in the TIC GLOSSARY.

(6) In the “Line-by-Line Instructions for Schedule 1” (section IV.A in the instructions), the phrase in parentheses in line 20 is clarified and reads “(records with Schedule 2, Item 12 = security types 1, 2, 3, or 4)”.

(7) In the “Line-by-Line Instructions for Schedule 1” (section IV.A in the instructions), the phrase in parentheses in line 21 is clarified and reads “(records with Schedule 2, Item

12 = security types 5, 6, 7, 8, 9, 10, or 11)".

(8) In the "Line-by-Line Instructions for Schedule 1" (section IV.A in the instructions), the phrase in parentheses in line 22 is clarified and reads "(records with Schedule 2, Item 12 = security types 6, 7, 8, 9, 10, or 11)".

(9) In the "Line-by-Line Instructions for Schedule 1" (section IV.A in the instructions), the phrase in parentheses in line 23 is clarified and reads "(records with Schedule 2, Item 12 = security type 12)".

(10) In the "Line-by-Line Instructions for Schedule 2", the third part of the note for Type 8 in line 8 is changed to read "(3) Short-term sovereign debt securities should be reported as type 11; and (4)..."

(11) In the "Line-by-Line Instructions for Schedule 2", the note for "Type 11" in line 11 is changed to read "Type 11 should include all debt other than asset-backed securities that is not covered in types 5-10, including short-term sovereign debt securities."

(12) In the "Line-by-Line Instructions for Schedule 3" (section IV.C in the instructions), subpart 3 "Custodian Code" is expanded to add the last line with bullet items "If you are not required to submit Schedule 2 records, please submit up to two additional Schedule 3 reports:

- Using custodian code 77, submit summary data on foreign securities held directly with foreign resident custodians, including foreign-resident offices of U.S. banks or U.S. broker/dealers, and with foreign-resident central securities depositories.
- Using custodian code 88, submit summary data on foreign securities held directly, managed directly, or held with U.S.-resident central securities depositories (and for which

no U.S.-resident custodian is used).”

In addition, codes 77 and 88 are included in Appendix F: “List of Custodian Codes”.

(13) Some other clarifications may be made in other parts of the instructions.

The changes will improve overall survey reporting.

Type of Review: Revision of currently approved data collection.

Affected Public: Business/Financial Institutions.

Form: TIC SHC/SHCA, Schedules 1, 2 and 3 (1505-0146).

Estimated Number of Respondents: An annual average (over five years) of 306, but this varies widely from about 785 in benchmark years (once every five years) to about 190 in other years (four out of every five years).

Estimated Average Time per Respondent: An annual average (over five years) of about 174 hours, but this will vary widely from respondent to respondent. (a) In the year of a benchmark survey, which is conducted once every five years, it is estimated that exempt respondents will require an average of 17 hours; custodians of securities providing security-by-security information will require an average of 361 hours, but this figure will vary widely for individual custodians; end-investors providing security-by-security information will require an average of 121 hours; and end-investors and custodians employing U.S. custodians will require an average of 41 hours. (b) In a non-benchmark year, which occurs four years out of every five years: Custodians of securities providing security-by-security information will require an average of 546 hours (because only the largest U.S.-resident custodians will report), but this figure will vary widely for individual custodians; end-investors providing security-by-security information will

require an average of 146 hours; and reporters entrusting their foreign securities to U.S. custodians will require an average of 49 hours. The exemption level, which applies only in benchmark years when filing schedules 2 or 3 or both, for custodians and for end-investors is the holding of less than \$200 million in reportable foreign securities owned by U.S. residents. For schedule 2, end-investors should exclude securities that are held with their unaffiliated U.S.-resident custodians.

Estimated Total Annual Burden Hours: An annual average (over five years) of 53,260 hours.

Frequency of Response: Annual.

REQUEST FOR COMMENTS: Comments submitted in response to this notice will be summarized and/or included in the request for Office of Management and Budget approval. All comments will become a matter of public record. The public is invited to submit written comments concerning: (a) whether the Survey is necessary for the proper performance of the functions of the Office of International Affairs within the Department of the Treasury, including whether the information collected will have practical uses; (b) the accuracy of the above estimate of the burdens; (c) ways to enhance the quality, usefulness and clarity of the information to be collected; (d) ways to minimize the reporting and/or record keeping burdens on respondents, including the use of information technologies to automate the collection of the data requested; and (e) estimates of capital or start-up costs of operation, maintenance and purchase of services to provide the information requested.

Dwight Wolkow, Administrator, International Portfolio Investment Data Systems

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