

## **Methodology**

### **Acquisitions through Stock Swaps**

November 17, 2003

#### Background

Transactions in long-term securities between U.S. and foreign residents are reported on the Treasury International Capital (TIC) Form S. U.S.-resident intermediaries report the purchases, sales (including sales of new issues) and redemptions of foreign residents. The primary reporters of these data are U.S.-resident brokers and dealers. If no U.S.-resident intermediary is used, U.S. investors in, and issuers of, long-term securities report these transactions.

Acquisitions of equities through merger-related stock swaps are excluded. The intermediaries that are the primary TIC Form S reporters do not have the information to report these. Since cross-border mergers have been increasingly financed by an exchange of equity (the so-called 'stock swap'), the omissions of stock swaps understate net U.S. purchases of foreign stocks and net foreign purchases of U.S. stocks. To remedy this situation, estimates of the amounts of stock swaps are being made available on the TIC web site, monthly, beginning with estimates as-of January 2000.

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The Bureau of Economic Analysis (BEA) includes stock swaps in their quarterly report on *U.S. International Transactions* (available at [www.bea.gov/bea/di/home/bop.htm](http://www.bea.gov/bea/di/home/bop.htm)). The Federal Reserve Board (FRB) then uses data on the financing of cross-border mergers from Security Data Corporation (SDC) to distribute BEA's quarterly stock swaps across the three months of each quarter. Thus, at the quarterly frequency, stock swaps reported on the TIC web site will equal the amount used by BEA. For the months after the last release of BEA's *U.S. International Transactions*, estimates will be based on SDC data alone. After BEA releases their international transactions data, that data will be used to revise the monthly stock swaps.