

Key Issues for Reporters
Report of Foreign Holdings of U.S. Securities,
Including Selected Money Market Instruments (SHLA)
As of June 30, 2003

Securities To Be Included

- Report all securities issued by U.S. residents (whether issued in the United States or outside of the United States) and held by foreign residents. This includes equity securities, short-term and long-term debt securities, and selected money market instruments.
- U.S.-resident custodians must report all foreign-held U.S. securities entrusted to central depositories (e.g. Depository Trust Company (DTC), Federal Reserve Bank of New York (FRBNY), Euroclear, and Clearstream).
- Report all bearer bonds issued by U.S. residents, because it is assumed that all are held by foreign residents.

Securities To Be Excluded

- Exclude all securities issued by foreign residents, including foreign subsidiaries and foreign branches of U.S. organizations, even if the securities are traded in the United States.
- Exclude all depository receipts (American, Global, and International) where the underlying security is a foreign security. These securities represent equity in foreign-based entities and, therefore, are not considered U.S. securities for this report.
- Exclude all securities issued by U.S.-resident international and regional organizations, such as the World Bank, Inter-American Development Bank (IDB), and the International Monetary Fund (IMF). These organizations are considered foreign residents.
- Exclude all securities issued by companies that were incorporated outside the United States as of 6/30/2003 (including companies incorporated offshore in countries such as the Cayman Islands and Bermuda). Some examples are Accenture Ltd., Ace Ltd., Carnival Corp., Foster Wheeler, Global Crossings, Helen of Troy, Ingersoll-Rand, McDermott International, Schlumberger, Transocean Inc., Tyco, and White Mountain Insurance Group.
- Exclude all loans, non-negotiable CDs, and derivatives (including options).

Identifying Securities

- Whenever possible, report securities using the CUSIP ID. If this is unavailable, then use the appropriate ISIN, CINS, Common or other exchange-assigned code. Use internal codes only if no other code exists for the security.

Valuing Securities

- Report data in U.S. dollars (except for Schedule 2, lines 16a, 19, 22 and 23, where the currency of denomination should be reported).
- To calculate the U.S. dollar market value, convert foreign currency denominated securities using the spot exchange rate as of the close of business on the last business day of June.
- Report the 'fair (market) value' as of the close of business on the last business day of June.

Distinguishing Long-Term Debt from Short-Term Debt by Original Maturity

- Securities with original maturities of one year or less are short-term.
- Debt with multiple maturity dates is long-term if any maturity date is more than one year from the date of issue.
- Perpetual debt is classified as long-term.

Securities Involved in Repurchase and Securities Lending Arrangements

- The security lender should report the U.S. security as if no repurchase agreement or security lending arrangement occurred.
- The security borrower and its custodian(s) should not report the U.S. security.

Examples of Common Reporting Errors

- Reporting the same security position twice. If a reporter is an issuer of securities, then it should report as issuer. If a reporter is a custodian of securities, then it should report as custodian. If a reporter is an issuer and a custodian of the same securities, it should report those securities only as issuer (code "2" on line 4 of the schedule 2).
- Reporting securities with an amount foreign held equal to zero.
- Reporting inaccurate security types (schedule 2, line 10).
- Excessive reporting of "Country Unknown" (code 88862) for securities other than bearer bonds.
- Reporting securities that have matured prior to the as-of date. These securities should be excluded from the report even if the securities have not been paid out.
- Reporting U.S. Treasury STRIPS with incorrect issuer and security types on Schedule 2. U.S. Treasury STRIPS should be reported with the issuer type of US Treasury (line 9, code 1) and with the security type of bond or note, stripped (line 10, code 10).
- For asset-backed securities (ABS), using incorrect factor values to report the remaining principal outstanding in currency of denomination (schedule 2, line 23). The remaining principal outstanding in currency of denomination should be calculated by multiplying the original principal outstanding in currency of denomination (schedule 2, line 22) by the factor value as of 6/30/2003. If the factor value for 6/30/2003 is not available, use the factor value closest to June 30, 2003.

For example, if the original principal outstanding in currency of denomination is 100,000 and the factor value as of 6/30/2003 is 0.9, then the remaining principal outstanding is 90,000.

Remaining principal outstanding in currency of denomination = (Original principal outstanding in currency of denomination) * (Factor value)
 $90,000 = (100,000) * (0.9)$

- Failure to report holdings of Canadian residents.
- Failure to report securities issued by U.S.-resident subsidiaries or branches of foreign companies.

- Inconsistent reporting of the face value in currency of denomination. If the fair (market) value in currency of denomination is reported in Yen, the face value in currency of denomination must be reported in Yen as well.
- For asset-backed securities (ABS), incorrectly reporting fair (market) value in currency of denomination based on the original principal outstanding in currency of denomination. The fair (market) value in currency of denomination should be calculated based on the remaining principal outstanding in currency of denomination (schedule 2, line 23) rather than the original principal outstanding in currency of denomination (schedule 2, line 22).

For example, if the original principal outstanding is 100,000, the remaining principal outstanding in currency of denomination is 50,000 and the price as of June 30, 2003 is 0.8, the fair (market) value in currency of denomination would be 40,000.

$$\begin{aligned} \text{Fair (market) value in currency of denomination} &= (\text{Price}) * (\text{Remaining principal outstanding in} \\ &\text{currency of denomination}) \\ 40,000 &= (0.8) * (50,000) \end{aligned}$$

How the FRBNY Calculates Debt Prices

Note: Use the calculations listed below to determine whether debt prices appear reasonable.

- An implicit price for non-ABS debt securities can be calculated by dividing the fair (market) value in currency of denomination (schedule 2, line 16a) by the face value in currency of denomination (schedule 2, line 19).

For example, if the fair value in currency of denomination is 100,000 and the face value in currency of denomination is 110,000, then the implicit price is 0.909.

$$\begin{aligned} \text{Implicit price} &= \text{Fair value in currency of denomination} / \text{Face value in currency of denomination} \\ 0.909 &= 100,000 / 110,000 \end{aligned}$$

If your data display a pattern of implicit prices that differ greatly from one and the prices cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities, etc.) there may be a problem in your calculation software.

- An implicit price for ABS can be calculated by dividing the fair (market) value in currency of denomination (schedule 2, line 16a) by the remaining principal outstanding in currency of denomination (schedule 2, line 23).

For example, if the fair value in currency of denomination is 200,000 and the remaining principal outstanding in currency of denomination is 230,000, then the implicit price is 0.870.

$$\begin{aligned} \text{Implicit price} &= \text{Fair value in currency of denomination} / \text{Remaining principal outstanding in} \\ &\text{currency of denomination} \\ 0.870 &= 200,000 / 230,000 \end{aligned}$$

If your data display a pattern of implicit prices that differ greatly from "less than one" and the prices cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities, etc.) there may be a problem in your calculation software.