

## **Frequently Asked Questions: Foreign Holdings of U.S. Securities, Including Selected Money Market Instruments (SHLA) as of June 30, 2003**

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**1. Can the Schedule one be submitted via the Internet?**

No. The Schedule one must be submitted on paper, and should be sent to the Federal Reserve Bank of New York.

**2. How is residency determined?**

For organizations, the location of the entity's charter determines residency. For individuals, the IRS W-8 implies that the individual is a foreign resident, and should be included on the SHLA report. The IRS W-9 implies that the individual is a U.S. resident, and should not be included on the SHLA report.

**3. Are U.S. securities owned by international and regional organizations reportable?**

Yes. Even if headquartered in the United States, International and Regional Organizations are foreign-resident organizations for purposes of this report. A list of International and Regional Organizations can be found in Appendix D (page twenty-nine) of the instruction booklet. (Note – The pension plans of these organizations are considered to be U.S. resident entities; hence the securities owned by these plans are not reportable on the SHLA.)

**4. What maturity date should be used when reporting perpetual debt?**

When reporting perpetual debt securities, the maturity date of 12/31/9999 should be used.

**5. How should fractional shares be reported?**

Fractional shares of a security should be rounded to the nearest share. Wherever possible, please combine partial shares with other ownership shares of the same security to reduce reporting disparities introduced by rounding partial shares.

**6. What types of securities require the Term Indicator (Item 12) to be reported?**

All debt securities, i.e., long term-debt, short-term debt, and asset-backed securities, require the Term Indicator (item 12) to be reported.

**7. What is a central securities depository (CSD)?**

Central Securities Depositories (CSDs) are entities that hold securities, either in certificated or uncertificated form, to facilitate the transfer of ownership of securities. CSDs are not necessarily custodians, since they may be responsible for only registering and settling security transactions. The major U.S. CSDs are the Depository Trust and Clearing Corporation (DTC), and the Federal Reserve Bank of New York.

**8. When is a U.S. custodian, U.S. CSD, or U.S. issuer responsible for reporting securities owned by foreigners**

Securities entrusted to a U.S.-resident custodian by foreign entities must be reported by the U.S.-resident custodian, even if they are also held at a U.S. CSD, as only the custodian is aware that these securities are foreign owned. Securities entrusted *directly* to

U.S. CSDs by foreigners must be reported by the CSD. Securities issued directly to foreigners must be reported by the issuer.

**9. If the holders of a given security reside in multiple countries, do we file a separate Schedule two for each country of foreign holder?**

Yes. The security id should be reported on multiple Schedule two records. Records can only be combined if the security id, country of foreign holder, and type of foreign holder are the same.

**10. If the issuer of a security is also serving as the custodian of the same security, and the security is owned by a foreign resident, should the reporting organization report as an issuer or as a custodian?**

In cases where the U.S.-resident organization issues and holds in custody the reportable security, the organization should report as the "issuer." (Note: for filers of the Treasury International Capital (TIC) B forms, this differs from the TIC treatment which calls for short-term securities issued and held in custody by the same institution to be reported as a custodial holding if the security is negotiable and as an issuer if the item is non-negotiable.)

**11. What is direct investment?**

A direct investment relationship exists when one firm owns 10% or more of the voting equity of another firm. If a direct investment relationship exists, all the securities of the investee are considered direct investment. However, for banking institutions direct investment is limited to intercompany holdings that are permanent capital.

**12. Are direct investment holdings reported?**

No. Direct investment holdings are excluded from this report. However, if one of the organizations is a bank or bank holding company, direct investment is limited to "permanent" capital. Positions with foreign banking affiliates that arise out of normal banking business (e.g., inter-company debt) are not direct investment and should be reported.

**13. What should be reported as the face value in currency of denomination for Interest Only (IO) securities?**

Since interest only securities do not have a face value, report the IOs' market value in both line 16a (Foreign Currency Fair Market Value) and line 19 (Face Value).

**14. Should investments in partnerships be reported?**

Limited partnership investments should be reported. To determine the market value, multiply the percentage owned by the total value of the limited partnership and report the result in line sixteen (US\$ Fair Market Value). The number of shares should be the same value as the market value reported and should be reported on line 18.

General partner investments are considered direct investment and should be excluded from the report.

**15. How should the issuer type for U.S. Treasury Separate Trading of Registered Interest & Principal Securities (STRIPS) be reported on Schedule two?**

The issuer code for securities is generally determined by the entity that issued the security. However, there are some exceptions to this rule. U.S. Treasury STRIPS should be classified as U.S. Treasury securities even though the Treasury does not issue or sell STRIPS directly to investors. In addition, all CATS, TIGRS, COUGARS, and LIONS should also be classified as U.S. Treasury securities.

**16. Who should be contacted with additional questions?**

Additional questions can be addressed to the Securities Reports Division of the Federal Reserve Bank of New York by calling (212) 720-6300, or email to [shla.help@ny.frb.org](mailto:shla.help@ny.frb.org).

-- Revised August 11, 2003: New Q&A at number 15; clarified answers to numbers 3, 8 and 12.