

**Frequently Asked Questions:
Foreign-Residents' Holdings of U.S. Securities, Including Selected
Money Market Instruments (TIC SHL & TIC SHLA)**

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A. General Instructions/Information

1. What is the difference between the TIC SHL ("benchmark report ") and the TIC SHLA "annual report"?

The TIC SHL and the TIC SHLA collect the same information. The TIC SHL is conducted every 5 years and is required to be filed by significant U.S.-resident custodians and issuers. The TIC SHLA is the annual version of this report. It is filed mostly by the largest reporters from the previous TIC SHL. The Federal Reserve Bank of New York (FRBNY) determines the annual panel and informs those institutions of their annual reporting requirement. Institutions not receiving notification from FRBNY are not required to file the SHLA.

2. What are the exemption levels of the TIC SHL and TIC SHLA reports?

The exemption levels for the TIC SHL are as follows:

Schedule 1 - All institutions that are notified by FRBNY that they are required to participate in the survey or that issue or hold in custody \$100 million or more of U.S. securities owned by foreign residents must file a Schedule 1.

Schedule 2 - All U.S.-resident entities must report detailed information on Schedule 2, unless the total fair (market) value of U.S. securities owned by foreign residents for which your institution is responsible for reporting is less than \$100 million as of the close of business on June 30.

To determine if your organization has met or exceeded the exemption level based on your U.S.-resident consolidated organization, all U.S.-resident units of the U.S. resident entity that meet the filing criteria for U.S.-resident custodian and U.S.-resident issuer should be included. For example, if your reportable custodial holdings total \$80 million and the reportable securities that another unit of your organization has issued directly to foreigners total \$30 million, you must submit detailed information on Schedule 2, because the total fair (market) value of reportable securities is \$110 million. Although each unit of the reporting entity is under the exemption level, the reporting entity is not exempt because the determination is based on the consolidated organization.

There is no exemption level for the TIC SHLA. All U.S.-resident entities designated by the FRBNY as TIC SHLA reporters are required to file Schedule 1 and Schedule 2.

3. How is the maturity (term) of a security determined?

All securities with an original maturity of one year or less are considered short-term. For example, if a security is issued on January 31, 2007 and matures on January 31, 2008, it is considered short-term even though the actual number of days the security is outstanding exceeds 365, i.e., 366. Securities with an original maturity of greater than one year or no stated maturity (e.g., perpetual bonds) are considered long-term.

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 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.

B. Residency Rules

7. How is residency of foreign holders determined?

- Corporations and subsidiaries of corporations are residents of the country in which they are incorporated or otherwise legally established, not the country of the head office or primary operations.
- International and regional organizations are always considered to be foreign-resident institutions and are assigned the appropriate “international and regional organizations” code, not the code of the country in which they are located. (See Appendix D for a complete listing).
- Bank branches are residents of the country in which they are licensed (not the country of the head office or administrative offices).
- Partnerships, trusts and funds are residents of the country in which they are legally organized.
- Individuals are residents of the country of their tax domicile. For example, U.S. residents use IRS form W-9 and foreign residents use IRS form W-8. U.S. residents include organizations located in the Commonwealth of Puerto Rico and U.S. territories and possessions.

8. How is the residency of a trust determined?

The residency of a trust is based on where the trust is established and not based on the residency of the trustees or the trust’s beneficiaries.

C. Custody Reporting

9. When is a U.S. custodian, U.S. Central Securities Depository (CSD), or U.S. issuer responsible for reporting securities owned by foreign residents?

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 directly by foreign residents must be reported by the CSD. Securities issued directly to foreign residents must be reported by the issuer.

D. Reportable/Non-Reportable Items

10. Should U.S. securities held in a trading account be reported?

Yes. All U.S. securities should be reported on Schedule 2, including those that are held for trading, are available-for-sale, or are held-to-maturity.

11. Are securities issued by international and regional organizations with extra-territorial status reportable?

No. Securities issued by international and regional organizations are not reportable on the TIC SHL(A) but are reportable on the TIC SHC(A) report if held by U.S.-residents.

12. Should investments in U.S. real estate be reported?

No. Only investments in U.S. securities are reportable.

13. Are real estate investment trusts (REITS) considered U.S. securities?

Yes. Real estate investment trusts, REITS, that are established in the United States are considered U.S. securities and are reportable on the TIC SHL(A) report as security type 3.

14. Should U.S. securities issued under a private placement arrangement be reported?

Yes. U.S. securities should be reported whether they are issued as registered public securities or as private placements. In addition, U.S. securities should be reported whether or not they are actively traded.

15. Should embedded derivatives that are not bifurcated from the host contract be reported?

Yes. Embedded derivatives that are not bifurcated from the host contract should be included in the value of the host contract. However, if an embedded derivative is bifurcated, the value of the derivative should be excluded from the TIC SHL(A) report

16. Should long positions and short positions be netted?

No. Netting is not permitted on this report. Only long positions should be reported.

17. Should matured U.S. debt securities that are still outstanding be reported?

Yes. U.S. debt securities that have passed their maturity date at the survey date but have not been redeemed should be reported.

E. Securities Pricing and Factor Values

18. How does FRBNY calculate prices?

The 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). If non-ABS debt data have implicit prices that differ greatly from 1 and the price difference cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities) then there may be a problem in the reported data values.

The 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). If ABS debt data have implicit prices that differ greatly from 1 and the price difference cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities.) then there may be a problem in the reported data values.

The implicit price for **equity** securities can be calculated by dividing the USD Market Value (Schedule 2, line 16) by the Number of Shares Held (schedule 2, line 18).

19. How does FRBNY calculate factor values for asset-backed securities?

The implicit factor value for ABS debt securities can be calculated by dividing the Remaining Principal Outstanding in Currency of Denomination (schedule 2, line 23) by the Original Face Value in Currency of Denomination (schedule 2, line 22).

F. Contact Information

20. Can the TIC SHL(A) report be filed over the Internet?

Yes. Internet Electronic Submission (IESUB) is fast, easy to use and secure. IESUB offers a convenient alternative for reporting your data. Further information can be found at www.reportingandreserves.org/iesub.html.

21. 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 SHLA.Help@ny.frb.org