



FEDERAL RESERVE BANK of NEW YORK

SHC(A)-SHL(A) Reporting Seminar

Wednesday, October 29, 2014

Overview
Edward Sapozhnikov



Overview

- **Forms SHC/SHC(A) & SHL/SHL(A)**
- **Changes to the Forms**
- **Best Practices & Complex Issues**
- **Reporting Central**



Overview of SHC(A) - SHL(A) Reports

- **Forms SHC/SHC(A) & SHL/SHL(A)**
 - SHC/SHC(A) cover U.S. claims on foreign-residents resulting from U.S. investment in foreign securities
 - SHL/SHL(A) cover U.S. liabilities to foreign-residents that invest in U.S. securities
 - SHC and SHL are used for large benchmark surveys conducted only every five years; forms SHC(A) and SHL(A) are used for smaller annual surveys conducted during the intervening years



Overview of SHC(A) - SHL(A) Reports (cont'd)

- All of these forms are part of the Treasury International Capital (TIC) data reporting system
- Designed to collect reliable information on international portfolio capital. This information is necessary for compiling the U.S. balance of payments accounts and the U.S. international investment position, and for formulating U.S. international financial and monetary policies



Overview of SHC(A) - SHL(A) Reports - Users

- Board of Governors of the Federal Reserve
- U.S. Treasury
- U.S. Department of Commerce
- The IMF
- Academic research
- Private sector analysts



Overview of Reports

➤ SHC(A)

- Annual report that takes place four out of every five years
- Captures data from largest custodians and end investors
- Next SHC(A) to be reported as of December 31, 2014

➤ SHC

- Quinquennial report
- Captures the same data from a broader group of entities
- Data reported on SHC and TIC SLT used to determine who must report on SHC(A)
- Last SHC was reported as of June 30, 2011
- Must file if total fair market value of reportable foreign securities owned by U.S. residents meets or exceeds \$100 million



Overview of Reports

➤ SHL(A)

- Annual report that takes place four out of every five years
- Captures data from largest custodians and issuers
- Next SHL(A) to be reported as of June 30, 2015

➤ SHL

- Quinquennial report
- Captures the same data from a broader group of entities
- Data reported on SHL and TIC SLT used to determine who must report on SHL(A)
- Last SHL was reported as of June 30, 2014
- Must file if total fair market value of reportable U.S. securities owned by foreign residents meets or exceeds \$100 million



Overview of Reports - What Must be Reported

SHL(A) Report:

- Equity issued by U.S. residents
 - Common and Preferred Stock
 - Shares of Funds (e.g., mutual, pension, hedge, money market) and investment companies
 - Limited partnership interest
- Long term and short term debt issued by U.S. residents
 - Bonds, Notes, and Debentures
- Asset-Backed Securities

SHC(A) Report:

- Equity issued by Foreign residents
 - Common and Preferred Stock
 - Shares of Funds (e.g., mutual, pension, hedge, money market) and investment companies
 - Limited partnership interest
- Long term and short term debt issued by Foreign residents
 - Bonds, Notes, and Debentures
- Asset-Backed Securities



Overview of SHC(A)-SHL(A) Reports-Exemption Levels

➤ Non-Benchmark Year

If selected as annual filer:

- No Schedule 2 exemption level (must file every year)
- Schedule 3 must be reported for each U.S. custodian (SHC(A))



Overview of SHC(A)-SHL(A) Reports-Exemption Levels

- Benchmark SHC and SHL year (Occurs every 5 years)
- Schedule 1
 - If you receive letter saying you are required to report, you must file Schedule 1.
 - If you did not receive a letter, but qualify to report you must file Schedule 1 and if applicable, Schedule 2.



Overview of SHC(A)-SHL(A) Reports-Exemption Levels

- Schedule 2
 - **SHC and SHL** reporters are exempt from reporting on Schedule 2 if the total fair value of foreign securities (SHC) or U.S. securities (SHL) is less than US\$ 100 million (aggregated over all accounts) as of December 31.
- Schedule 3
 - **SHC** reporters are exempt from reporting on a Schedule 3 holdings that are entrusted to an unaffiliated U.S.-resident custodian that is not a U.S.-resident CSD, if the total fair value of the foreign securities entrusted is less than US\$ 100 million as of December 31.



Overview of SHC(A)-SHL(A) Reports-Exemption Levels

- Exemption level is determined on a consolidated basis
- All U.S. units of an organization must be taken into consideration and their holdings aggregated, including
 - U.S. subsidiaries and U.S. affiliates (including U.S. custodians)
 - U.S. offices
 - Securities issued by U.S. subsidiaries, affiliates, and offices (including securities issued abroad)



Changes to the Forms

- New form changes to both reports
- Effective dates of changes:
 - SHC/SHC(A) – December 2014
 - SHL/SHL(A) – June 2015
- Effective with these changes, **Reporting Central** will be used to submit reports electronically and securely



Best Practices

- Common Reporting Errors
- Complex Issues
- SHC(A)/SHL(A) vs Other Reports



Reporting Central

- Overview of the system
- Data submission process & file format



Overview of SHC(A) Ani Qosja



SHC(A) Overview

- Mandatory annual survey of the ownership of foreign securities, including selected money market instruments, by U.S. residents as of December 31 of each year.

SHC(A) Overview (cont'd)

- Who must report
 - Custodian
 - End-Investors
- Consolidation Rules
- What must be reported
 - Equity
 - Short-Term & Long-Term Debt
 - Asset-Backed Debt



SHC(A) Overview (cont'd)

- Schedules of SHC(A)
 - Schedule 1
 - Schedule 2
 - Schedule 3
- Reporting Responsibilities
 - U.S. Resident Custodian
 - U.S End-Investor



SHC(A) - Who Must Report

- Types of U.S. persons that must report
 - U.S. Resident Custodians
 - U.S Resident end-investors
- Custodian Reporting
- End-investor Reporting



Who Must Report - Custodians

U.S.-Resident Custodian

- A U.S. bank or other entity that is legally responsible for the safekeeping of stock certificates, debt securities, or other assets for institutional and private investors
- Must report all foreign securities they hold in custody or manage the safekeeping of for U.S. residents (including their own foreign branches, subsidiaries, and affiliates)
 - Unless a U.S.-resident sub-custodian is used and the custodian discloses the client to the sub-custodian



Who Must Report – End-Investors

- **End-Investors** are U.S.-resident organizations that invest in foreign securities for their own portfolios or invest on behalf of others, such as investment managers/fund sponsors.
- Includes securities that are held-for-trading, available-for-sale, or held-to-maturity
- U.S.-resident end-investors include, but are not limited to:
 - Financial and non-financial organizations
 - Managers of private and public pension funds
 - Foundations
 - Institutions of higher learning (e.g., university endowments)



Who Must Report – End-Investors (cont'd)

- Trusts and estates
- Funds and similar entities that own shares or units of, or other portfolio equity interests in, a foreign related or non-related entity.
- Managers/sponsors of funds
- Managers/sponsors of private equity companies, venture capital companies, hedge funds and other private investment vehicles



Consolidation Rules

- The top U.S. company in each organization reports on behalf of all U.S.-resident entities within its organization:
 - Top U.S.-resident bank holding companies (“BHCs”)
 - Top U.S.-resident financial holding companies (“FHCs”)
 - U.S.-resident entities that are not consolidated under another U.S.-resident company
 - Investment advisors and fund managers/sponsors



Consolidation Rules

- U.S.-resident entities created/sponsored/managed by the reporting entity that may not be consolidated:
 - Trusts
 - Funds/commingled accounts
 - Managed accounts
 - SPEs, SPVs, and VIEs
 - Venture capital companies
 - Private equity companies



Consolidation Rules

- Examples of Consolidation Rules :
 - Investment Advisor / Managed Account sponsor
 - Foreign Parent Organization
 - Do not consolidate :
 - Pension Funds
 - Foundations



What must be reported

- Securities issued by Foreign entities, including:
 - Foreign-resident organizations
 - Foreign subsidiaries of U.S. organizations
 - Foreign branches of U.S. banks
 - U.S. corporations that have re-incorporated, i.e., are now incorporated under the laws of a foreign country
 - International and regional organizations
- Types of Reportable Foreign Securities
 - Equity
 - Short-Term & Long-Term Debt
 - Asset-Backed Debt



What must be reported - Equity

- Reportable equity securities include:
 - common stock
 - restricted stock
 - preferred stock
 - depositary receipts/shares
 - shares/units in foreign-resident funds
 - limited partner ownership in foreign-resident limited partnerships

- Report U.S. residents' ownership of shares/units of funds legally established outside of the United States as equity.



What must be reported – Short-Term & Long-Term Debt

- Reportable Short-Term and Long-Term debt securities include:
 - Short-term foreign government securities.
 - Short-term negotiable certificates of deposit, bank notes, and deposit notes
 - Short-term bankers' acceptances and trade acceptances
 - Bonds such as foreign treasury, zero coupon, stripped
 - Long-term floating rate notes
 - Long-term index-linked debt securities

- Exclude from short-term and long-term debt:
 - Shares/units in foreign-resident funds, even if the foreign fund invests in debt
 - Derivatives Contracts (including futures, forwards, swaps, options, and warrants)
 - Non-negotiable certificates of deposit



What must be reported – Asset-Backed Securities

- Reportable asset-backed securities include:
 - Collateralized mortgage obligations (CMOs)
 - Collateralized bond obligations (CBOs)
 - Collateralized loan obligations (CLOs)
 - Collateralized debt obligations (CDOs)

- Repurchase Agreements - Security Lending Arrangements
 - The security lender should report the foreign security as if no repo or security lending arrangement occurred.
 - The security borrower should exclude the foreign security.



Schedules – Schedule 1

- Reporter Contact Identification and Summary Financial Information
 - 10 digit number, including leading zeroes, issued by FRBNY
 - Reporting Status
 - Reporter Type
 - Business Contact Information
 - Schedule 2 Summary of Financial Information
 - Schedule 3 Summary of Financial Information
 - Certifier and Signature



Schedules – Schedule 2

- Details on each Foreign Security
 - Total of all Schedule 2 US\$ fair values should equal the summary financial information reported on Schedule 1.
 - Reporting As
 - Type of U.S. owner
 - Security ID & Security ID System
 - Security Description
 - Name of Issuer
 - Type of Foreign Issuer
 - Security Type



Schedules – Schedule 2 (cont'd)

- Details on each Foreign Security
 - Country of Residence Issuer
 - Currency of Denomination
 - Depositary Receipt/Share
 - Fair Value in Currency of Denomination
 - Number of Shares
 - Face Value or Remaining Principal Outstanding in Currency of Denomination
 - Original FV in Currency of Denomination
 - Issue date & Maturity Date



Schedules – Schedule 3

- Complete one Schedule 3 record for each unaffiliated U.S. custodian that is holding foreign portfolio securities with an aggregated US\$ value of at least \$100 million.
 - Securities directly held by **foreign** affiliates of U.S. custodians should be reported on Schedule 2.
 - Do not report on Schedule 3 securities held by a U.S. custodian *affiliated* with your organization
 - Aggregate fair value of the securities
 - Reporting As
 - 1 if you are the U.S.-resident end-investor or fund manager
 - 2 if you are the U.S.-resident custodian that is entrusting foreign securities to the organization reported in the custodian code field.



Reporting Responsibilities - U.S. Resident Custodian

- US Resident Custodian Reports on Schedule 2
 - **As custodian**, reports foreign portfolio securities held in custody for unaffiliated U.S.-resident end-investors **IF** the U.S. Custodian:
 - does not in turn entrust those securities to an unaffiliated U.S. custodian that is not a central securities depository(CSD) and to whom the identities of the end-investors are fully disclosed **OR**
 - entrusts those securities to a foreign custodians **OR**
 - holds those securities through a central securities depository (CSD).



Reporting Responsibilities - U.S. Resident Custodian (cont'd)

- US Resident Custodian Reports on Schedule 3
 - As custodian ***if*** you are the U.S.-resident custodian that is entrusting foreign securities to the organization reported in the custodian code field.
 - Note: If you are the custodian, but do not fully disclose the identities of your clients to the sub-custodian, your organization should report those securities on Schedule 2, not on Schedule 3.



Reporting Responsibilities - U.S. End- Investor

- U.S. End-Investor
 - U.S.-resident organizations that invest in foreign securities for their own portfolios or invest on behalf of others, such as investment managers/fund sponsors.
 - Reports should include all reportable securities held or managed by all U.S.-resident parts of the organization, including all U.S.-resident branches, offices, and subsidiaries.



Overview of SHL(A) Amanda Eng



SHL(A) - Overview

- Mandatory annual survey of Foreign-Residents' Holdings of U.S. Securities, Including Selected Money Market Instruments as of June 30 of each year



SHL(A) – Overview (cont'd)

- Who Must Report/Reporting Responsibilities
 - U.S. Resident Custodian (including broker/dealers)
 - U.S. Resident Central Securities Depositories
 - U.S. Resident Issuers
- Consolidation Rules
- What Must Be Reported
 - Equity
 - Short-Term & Long-Term Debt
 - Asset-Backed Debt



SHL(A) – Overview (cont'd)

- Schedules of SHL(A)
 - Schedule 1
 - Schedule 2



SHL(A) - Who Must Report

- All U.S.-resident entities that are contacted by FRBNY must report.
 - U.S. residents include any individual, corporation, or other entity legally established in the U.S., including:
 - U.S.-established subsidiaries or affiliates of foreign entities
 - Branches/offices located in the U.S.



Who Must Report - Custodians

U.S.-Resident Custodian

- A U.S. bank or other entity that is legally responsible for the safekeeping of stock certificates, debt securities, or other assets for institutional and private investors.
- Must report all U.S. securities they hold in custody or manage the safekeeping of for foreign residents (including their own foreign branches, subsidiaries, and affiliates).
 - Unless a U.S.-resident sub-custodian is used and the custodian discloses the client to the sub-custodian.



Who Must Report - CSDs

U.S.-Resident Central Securities Depository (CSD)

- A U.S. entity that holds securities and facilitates the transfer of securities ownership (e.g. DTCC).
- Must report all U.S. securities they hold in custody or manage the safekeeping of directly on behalf of foreign residents.



Who Must Report - Issuers

U.S.-Resident Issuers

- Any U.S. individual, corporation, or other entity that issues securities, including:
 - Financial and Non-Financial Orgs
 - Governments and Agencies
 - Sponsors/Managers/Advisors of funds and other investment vehicles
- Must report all securities issued by U.S.-resident units that are
 - Owned by foreign residents and no U.S.-resident custodian or U.S.-resident CSD is used.
 - In book entry form and held at a foreign-resident CSD.
 - Bearer securities.



Consolidation Rules

- The top U.S. company in each organization reports on behalf of all U.S.-resident entities within its organization:
 - Top U.S.-resident bank holding companies (“BHCs”)
 - Top U.S.-resident financial holding companies (“FHCs”)
 - U.S.-resident entities that are not consolidated under another U.S.-resident company
 - Investment advisors and fund managers/sponsors



What must be reported

- Securities issued by U.S.- residents including securities that are owned by foreign residents.
- Types of Reportable U.S. Securities
 - Equity
 - Short-Term & Long-Term Debt
 - Asset-Backed Debt



SHL(A) – What Securities Must Be Reported

Determining foreign ownership:

- Residents of foreign countries
- International and regional organizations (e.g. World Bank, IMF)
- Foreign subsidiaries of U.S. entities
- Foreign branches of U.S. banks
- Offshore and non-U.S. funds
- Entities/individuals that file IRS Form W-8
- Mailing address



SHL(A) – Exclusions

Exclude:

- Derivatives (including futures, forwards, swaps, options, and warrants)
- Securities temporarily held as collateral under resale agreements
- Loans and loan participation certificates
- Letters of credit
- Non-negotiable CDs
- Bank deposits (except for negotiable CDs)
- Annuities
- Foreign securities



SHL(A) – Schedules

Schedule 1

- Reporter (RSSD) ID Number
- Company Address
- Reporting Status
- Reporter Type
- Reporting Contact Information
- Technical Contact Information
- Valuation Technique Description



SHL(A) – Schedules (continued)

Schedule 1 (continued)

- Summary of Schedule 2 Information
 - Total Number of Schedule 2 Records
 - Total U.S. Market Value of Equity
 - Total U.S. Market Value of Short-Term Debt
 - Total U.S. Market Value of Long-Term Debt
 - Total U.S. Market Value of ABS



SHL(A) – Schedules (continued)

Schedule 2

- Reporter (RSSD) ID Number
- Sequence Number
- Reporting Unit Code and Name of Reporting Unit
- Reporting As
- Security ID
- Security ID System
- Security Description
- Name of Issuer
- Type of Issuer



SHL(A) – Schedules (continued)

Schedule 2 (continued)

- Security Type
- Currency of Denomination
- Country of Foreign Holder*
- Type of Foreign Holder*
- U.S. Fair Value of Security
- Fair Value of Security in Currency of Denomination
- Number of Shares (equity only)



SHL(A) – Schedules (continued)

Schedule 2 (continued)

- Face Value in Currency of Denomination (for debt)
- Remaining Principal Outstanding in Currency of Denomination (ABS)
- Issue Date
- Maturity Date
- Original Face Value in Currency of Denomination



**Upcoming Changes to Forms
SHL/SHL(A) and SHC/SHC(A)**
Amanda Eng



Summary of Changes

- **Effective dates of changes:**
 - **SHC/SHC(A) – December 31, 2014**
 - **SHL/SHL(A) – June 30, 2015**
- Streamlined Forms SHL/SHL(A) and SHC/SHC(A) to provide consistency among the annual surveys and the TIC SLT
- Who must report on the annual surveys was revised to include consideration of those filing the monthly TIC Form SLT report
- Effective with these changes, Reporting Central will be used to submit reports electronically and securely



Schedule 1 Changes

Changes to Reporter Type

SHC(A) & SHL(A)

- Depository Institution replaces Banks
- Fund/Fund Manager/Sponsor (excluding pension fund) replaces Mutual fund or investment trust
- Other Financial Organization specifies to include BHCs and FHCs

SHC(A) only - Industrial Classification Code is replaced with Reporter Type

SHL(A) only - Pension Fund is added to Reporter Type

8. Reporter Type:.....

- | | | |
|---|---|--|
| 1 = Depository Institution | 4 = Insurance Company | 7 = Foundation, trust, estate |
| 2 = Fund/Fund Manager/Sponsor
(excluding pension fund) | 5 = Other Financial Organization
(including BHC and FHC) | 8 = Institution of higher learning
(e.g., university) |
| 3 = Pension Fund | 6 = Non-financial Organization | 9 = Other (not listed above) |



Schedule 2 Changes

SHC(A) & SHL(A)

- “Security ID System” (Item 7) is now consistent across Forms SHC(A) and SHL(A).
 - The new categories are: 1 = CUSIP, 2 = ISIN, 3 = CINS, 4 = Common Code, 5 = SEDOL, 6 = Internally Generated, and 7 = Other.



Schedule 2 Changes

SHC(A) & SHL(A) (continued)

- Reorganized the lines applying to debt securities (including ABS)

**FOR ALL DEBT SECURITIES
(NON-ASSET-BACKED AND ASSET-BACKED SECURITIES)**

(Security Types 5, 6, 7, 8, 9, 10, 11, or 12)

Face Value or Remaining Principal Outstanding
in the Currency of Denomination:

FOR ASSET-BACKED SECURITIES ONLY

(Security Type 12)

Original Face Value in the Currency of Denomination:

**FOR ALL DEBT SECURITIES
(NON-ASSET-BACKED AND ASSET-BACKED SECURITIES)**

(Security Types 5, 6, 7, 8, 9, 10, 11, or 12)

Issue Date: (MMDDYYYY).....

Maturity Date: (MMDDYYYY).....



Schedule 2 Changes

SHC(A) only

- “Security Type” is now consistent with Form SHL(A)

12. Security Type:

<u>Equities</u>	<u>Debt (excluding asset-backed securities)</u>	<u>Asset-Backed Securities</u>
1 = Common stock	5 = Commercial paper	9 = Bond or note, unstripped
2 = Preferred stock	6 = Negotiable CD	10 = Bond or note, stripped
3 = Fund shares	7 = Convertible debt security	11 = All other debt
4 = All other equity	8 = Zero-coupon bond or note	12 = Asset-backed security

- “Type of Foreign Issuer” is added

11. Type of Foreign Issuer:.....

1 = Foreign Official Institutions 2 = All Other Foreigners



Schedule 2 Changes

SHC(A) only

- “Reporting As” line item is added

5. Reporting As:.....

1 = End-investor 2 = Custodian

- “Ownership Code” is replaced with “Type of U.S. Owner”

15. Type of U.S. Owner:

1 = Depository Institution	4 = Mutual Fund
2 = Fund or Other Investment Vehicle (excluding pension and mutual fund)	5 = Insurance company
3 = Pension Fund	6 = Other Financial Organization (including BHC and FHC)
	7 = Nonfinancial Organization (including individual/household)



Schedule 2 Changes

SHL(A) only

- Within “Type of Issuer”:
 - Eliminated “Other”
 - Added “Depository Institution,” “Other Financial Organization (including BHC and FHC),” and “Nonfinancial Organization”

11. Type of Issuer:

1 = United States Treasury and Federal Financing Bank	4 = Depository institution
2 = Federal agency or federally sponsored enterprise	5 = Other financial organization (including BHC and FHC)
3 = State or local government, including their subdivisions	6 = Nonfinancial organization

- “Issuer Code” renamed to “Reporting as”



Next Steps...

- Final Federal Register Notice
- If have not already done so, start registering for Reporting Central



Best Practices

Kim Keller



Data Quality

- Importance of ensuring data quality
 - Data used in economic analysis at multiple agencies
 - Data also used in private sector analysis
 - Data will not be accepted with validity edits in new format beginning with 2014 SHC(A)



Data Quality

- Key tips for ensuring data quality
 - Review instructions and supplemental guidance
 - Review for consistency across business lines
 - Compare across applicable TIC reports
 - Reconciliations and manual adjustments should be clearly documented
 - Multi-level review before submission



Common Errors: Security IDs

- Internal Security ID is provided when a third party ID is available
 - ISIN and CUSIP are preferred, but all acceptable IDs are listed in the instructions
- Leading zeroes or check digits are not included in security ID
- IDs should not include special characters



Common Errors: Pricing

- Price is a calculated field:
 - Equity: US\$ MV/number of shares
 - Non-ABS Debt: FC MV/FC FV
 - ABS Debt: FC MV/FC remaining principal outstanding
- Large number of securities are reported with a market value of zero
 - Institution should proactively communicate with FRB to explain reasoning behind zero market value securities; a large number of securities with zero price or market value may require revisions
- Fair market values should exclude accrued interest on securities



Common Errors: Equity

- Ownership interests representing direct investment are not reportable
- Direct investment is defined as ownership or control of 10% or more of an organization's voting stock
- Rights and warrants are not reportable
- Correct reporting for Limited Partnerships
 - Number of Shares = US Market Value



Common Errors: Debt

- Term of debt security should be calculated on original term at issue, rather than remaining time to maturity

- Debt securities issued or quoted in units should calculate face value or remaining principal outstanding by multiplying the face value of each unit times the number of units held, or remaining face value of each unit times the number of units held. For original face value of ABS, multiply the original face value of each unit times the number of units held.



Common Errors: ABS

- Asset backed securities (including MBS) indicated as other types of long-term debt
 - Price will calculate from incorrect field

- Exclude from asset-backed securities:
 - Asset-backed commercial paper (reported as commercial paper)
 - Securities backed by a sinking fund
 - Sinking fund securities are reportable but should be classified as short-term or long-term debt.



Mistakenly Excluded Securities: SHC

- Securities issued by international and regional organizations, including those with headquarters/facilities in the U.S.
 - e.g.: Inter-American Development Bank (IDB), International Bank for Reconstruction and Development (IBRD), or International Monetary Fund (IMF)
- Securities issued by companies that have headquarters in the U.S and do business primarily in the U.S. but are incorporated outside the U.S., including formerly U.S.-resident companies that have re-incorporated outside of the U.S.
- Securities issued by foreign-resident subsidiaries or offices of U.S.-resident entities
 - e.g.: Negotiable certificates of deposit issued by non-U.S. branches of U.S. banks.



Mistakenly Excluded Securities: SHC

- Securities entrusted to U.S.-resident or foreign-resident central securities depositories
 - e.g.: Depository Trust Company (DTC)
- Securities entrusted to foreign-resident custodians, including foreign offices of U.S.-resident custodians



Mistakenly Excluded Securities: SHC

- Restricted securities
- Securities in custodians' own portfolios
- Securities held in trading accounts
- Depositary receipts, if the underlying security is foreign
- Matured securities that are outstanding



Mistakenly Included Securities: SHC

- Foreign securities underlying depositary receipts
- Securities issued by U.S. subsidiaries/ U.S. offices of foreign-resident entities, even if traded outside of the U.S.
- All general partnership interests and similar controlling interests which constitute direct investment
- All loans, derivatives and non-negotiable CDs



Mistakenly Excluded Securities: SHL

- Include securities issued by US-incorporated affiliates of foreign entities
- Securities entrusted to U.S.-resident or foreign-resident central securities depositories
 - e.g.: Depository Trust Company (DTC)
- Securities entrusted to foreign-resident custodians, including foreign offices of U.S.-resident custodians



Mistakenly Included Securities: SHL

- Securities issued by a foreign resident but guaranteed by a US entity. The country of residence of a guarantor does not factor into the determination of whether the security is foreign or domestic.
- Securities issued by international or regional organizations, even if they reside in the US



Common Errors: Currency of Denomination

- Do not default to the currency of the country of issuer—many securities are issued in separate currencies
- Security is reported as being denominated in a foreign currency, but foreign currency market value is reported in dollars



Common Errors: Country Code

- International and Regional organizations should be reported with a country code of 79995, even if a country code is available for other TIC reports
- The list of country codes was updated in December 2013 and some respondents have not reflected coding accordingly—some country codes are no longer valid (e.g. Netherlands Antilles)
- Avoid the use of country code 88862 (country unknown)
 - Only acceptable for SHL(A) when the country of foreign holder is not always known
 - Should not be used for SHC(A) since every security should have a country of issuer



Common Errors: Type of Owner (SHC)

- Incorrectly identifying the owner type of foreign securities
 - SHC ownership code/type of owner is being revised beginning with the 2014 SHC(A)
 - Some invalid codes have been used in the past (type 7)
 - Updated type of owner will include new definitions of ownership type code 6
 - Other Financial Organization instead of Owner Unknown
 - Ownership type code 7 will be created to represent Nonfinancial Organizations



Reporting Responsibilities – Hedge Fund Reporting

- Hedge Fund Reporting
 - Investment advisors, managers or similar types of legal entities that create master-feeder funds both outside and inside the U.S. should report investments between the U.S. and foreign-resident affiliate funds that the investment manager sets up



Hedge Fund Reporting

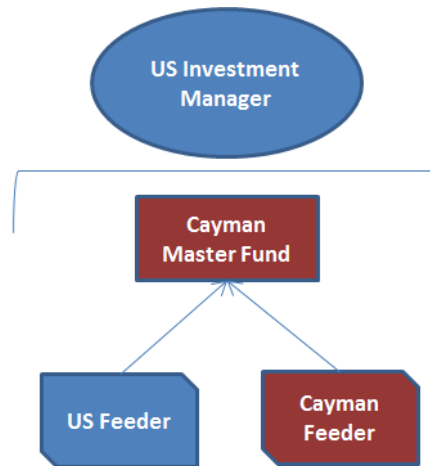
Example 1

U.S. IM creates:

- 1) Cayman Master Fund (CMF)
- 2) Cayman Feeder Fund (FF)
- 3) U.S. Feeder Fund (FF)

U.S. FF investment in the CMF is reportable.

U.S. FF's investments in the CMF should be reported as ownership of foreign equity on the SHC(A)



Hedge Fund Reporting

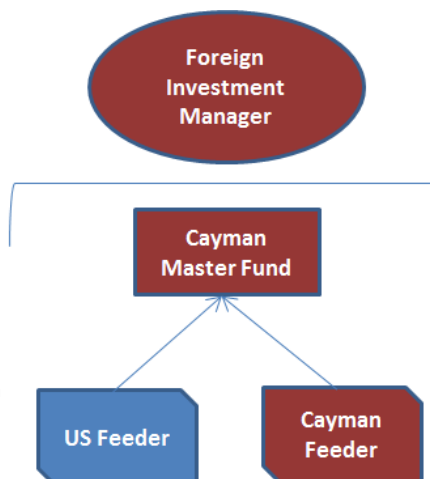
Example 2

Foreign IM creates:

- 1) Cayman Master Fund (CMF)
- 2) Cayman Feeder Fund (CFF)
- 3) U.S. Feeder Fund (FF)

Investments that the U.S. FF has in the CMF are reportable.

U.S. FF's investments in the CMF should be reported by the U.S. FF as ownership of foreign equity on the SHC(A)



Hedge Fund Reporting

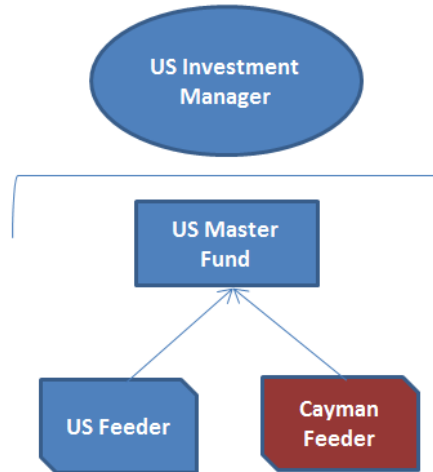
Example 3

U.S. IM creates:

- 1) U.S. Master Fund (MF)
- 2) Cayman Feeder Fund (CFF)
- 3) U.S. Feeder Fund (FF)

Investments by the CFF are reportable.

The U.S. IM reports the ownership of U.S. MF shares by the CFF as the issuer of the domestic security on SHL(A)



Hedge Fund Reporting

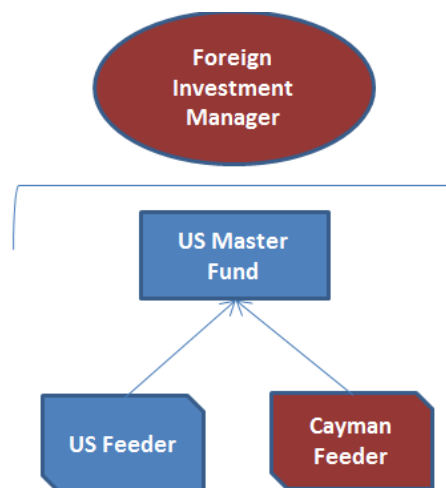
Example 4

Foreign IM creates:

- 1) U.S. Master Fund (MF)
- 2) Cayman Feeder Fund (CFF)
- 3) U.S. Feeder Fund (FF)

Investment that the CFF has in the U.S. MF is reportable.

The U.S. MF reports ownership of their shares by the CFF as the issuer of the domestic security on SHL(A)



Comparisons to TIC SLT and TIC B

- Direct comparisons can be made between the TIC SLT, TIC B, and SHL/SHC reports
- Analysts review each report and compare data for the appropriate as-of dates (12/31 or 6/30) to ensure correct reporting
- Handout “TIC Compare” details each of the comparisons
- Data should be compared before submission to avoid follow-up on these items



Sample Comparison: TIC SLT vs SHC(A)

SLT Foreign Equity Securities, column 12, code 9999-6 (grand total) = SHC(A) Security Type 1, 2, 3,4; Sum of US Fair (Market) Value of Security Held



Reporting Central Michele Waldman



Reporting Central Overview

- What is the Series Migration Effort?
- What is Different About Submitting SHC(A)/SHL(A) Data?
- What is the Credentialing Process?
- Where can I find Reporting Central documentation?



Reporting Central: Series Migration

➤ What is the Series Migration Effort?

- Reporting Central is an application which is replacing the Internet Electronic Submission (IESUB) system for reports submission.
- Series Migration to Reporting Central is a multi-year project which began in 1st quarter 2012
- Majority of the other Treasury reports have already migrated



Reporting Central: SHC(A) & SHL(A)

➤ What is Different About Submitting SHC(A)/SHL(A) Data?

- For large volume series, input files will be changing from the IESUB .txt to XML
- Data entry will be available only for institutions that have <100 Schedule 2s
- File Upload feature should be used by most institutions
- Schedules 1, 2 & 3 must be combined into one file for each institution
- Validation of the file will be done up front
- Testing is highly recommended



Reporting Central: Credentialing Process

- **What is the Credentialing Process?**
 - Reporting Central uses physical tokens instead of Logon IDs and Passwords
 - Reporting entities must establish the following:
 - OAL – Official Authorization Listing
 - EUAC – End User Authorization Contact
 - Subscriber
 - Series level security



Reporting Central - Documentation

- **Where Can I Find Reporting Central Documentation?**
 - Reporting Central Website:
 - <http://www.frb services.org/centralbank/reportingcentral/index.html>
 - Reporting Central Resource Center:
 - http://www.frb services.org/centralbank/reportingcentral/resource_center.html
 - Reporting Central User Guides:
 - <http://www.frb services.org/centralbank/reportingcentral/reportingcentral.userguides.html>



Resources

➤ Securities Data Division (SDD)

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- Jason Stein, Staff Manager (212) 720 2752
- Ed Sapozhnikov, Staff Manager (212) 720 6455
- SDD Helpline (212) 720 6300
 - SHLA.Help@ny.frb.org
 - SHC.Help@ny.frb.org

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