

Frequently Asked Questions: Report of Foreign Holdings of U.S. Securities, Including Selected Money Market Instruments (SHL) as of June 30, 2004

Submission Criteria

1. What is the deadline for filing the SHL?

All schedules are due by August 31, 2004.

2. Is Internet filing available?

Yes. Internet Electronic SUBmission (IESUB) allows non-exempt reporters to submit their data via the Internet. In order to obtain an IESUB User Id, please complete the User Request form at <http://www.treas.gov/tic/forms.html#benchmark> and e-mail to the Securities Reports Division at SHLA.Help@ny.frb.org.

3. Can reporters who only file Schedule 1 submit via the Internet?

No. Reporters filing only Schedule 1 should use the paper form. The Schedule 1 may be mailed to the Federal Reserve Bank of New York or e-mailed to SHLA.Help@ny.frb.org.

4. If a U.S. security is held by residents of different countries should separate Schedule 2s be filed for each country of foreign holder?

Yes. The security id should be reported on multiple Schedule 2 records. Records can only be combined if the security id, country of foreign holder, and type of foreign holder are the same.

5. 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.

Who Must Report

6. Is a U.S.-resident entity that acts as a paying or transfer agent, and is not the custodian, required to submit Schedule 2 data?

No. Only U.S.-resident issuers, U.S.-resident custodians and U.S.-resident central securities depositories are required to report Schedule 2 data.

7. Should entities report on a consolidated basis?

Yes. The U.S. parent entity is required to ensure that data for all of its U.S.-resident branches and subsidiaries (including those located in the Commonwealth of Puerto Rico and U.S. territories) is consolidated into one report. However, U.S. branches and agencies of foreign banks that are located in different Federal Reserve Districts should submit separate reports.

8. 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 (DTCC), and the Federal Reserve Bank of New York.

9. When is a U.S.-resident custodian, U.S.-resident CSD, or U.S.-resident 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.-resident CSD, as only the custodian is aware that these securities are foreign owned. Securities that a U.S.-resident CSD holds *directly* for foreign residents must be reported by the U.S.-resident CSD. U.S.-resident issuers must report securities issued directly to foreign residents.

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

In cases where the U.S.-resident entity issues and holds in custody the reportable security, the entity 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 instrument is non-negotiable.)

Reportable Securities

11. Should securities that were issued on June 30, 2004 be reported?

Yes. The report is as of the close of business on June 30, 2004. Securities issued on this date should be included in your report.

12. Should negotiable CDs issued by U.S. branches of foreign banks be reported?

Yes. U.S. branches and agencies of foreign banks are considered to be U.S.-resident issuers for purposes of this report. Negotiable CDs issued by these entities are considered to be U.S. securities. (Note for filers of the Treasury International Capital (TIC) B forms: this differs from the TIC B forms in which negotiable CDs are not considered to be securities).

13. 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 16 (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.

Residency

14. How is residency determined?

For organizations, the location of the entity's charter determines residency. For individuals, in most cases, the submission of an IRS W-8 implies that the individual is a foreign resident, and his/her holdings of U.S. securities should be included on the SHLA report. The submission of an IRS W-9 implies that the individual is a U.S. resident, and his/her holdings should not be included on the SHLA report.

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

Yes. Even if headquartered in the United States, International and Regional Organizations with extra-territorial status are foreign-resident organizations for purposes of this report. A list of International and Regional Organizations can be found in Appendix D (page forty-one) 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.)

Security Specific Guidance

16. 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.

17. 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.

18. 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.

19. 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).

20. How should the issuer type for U.S. Treasury Separate Trading of Registered Interest & Principal Securities (STRIPS) be reported on Schedule 2?

The issuer code for typical securities is determined by the type of security backed. 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. (By contrast, the residency of the issuer is not determined by the underlying assets. The STRIPS issued by an offshore hedge fund would not be reportable.)