What Transactions to Report - U.S.-Resident Dealers and Brokers

U.S.-resident dealers and brokers have major TIC S reporting responsibilities, because they are involved in most transactions in long-term securities and often have the best information about the parties to the transaction.

Dealers

Dealers are entities that acquire securities for resale. U.S.-resident dealers should report all transactions between their U.S. offices and foreign residents.

Brokers

Brokers are entities that arrange transactions between two parties. U.S.-resident brokers should report transactions they execute between:

(1) their U.S.-resident clients (including their own U.S. offices) and foreign-resident brokers (or foreign-resident owners if there is no other broker involved in the transaction); and

(2) their foreign-resident clients (including their own foreign offices) and U.S.-resident brokers (or U.S.-resident owners if there is no other broker involved in the transaction).

An owner could include an underwriter, stock exchange specialist, mutual fund, or any other entity that directly acquires/relinquishes ownership of the security from the broker or the broker’s client. If no other broker is involved and the U.S.-resident broker does not know the identity of the entity acquiring/relinquishing ownership of the security, the U.S.-resident broker may treat an entity that does not take ownership of the security (such as a foreign-resident agent, investment manager, sub-advisor, trustee, settlement agent, or custodian) as the other party to the transaction.

In determining the residency of a client or counterparty owner, the broker should distinguish between U.S. and "offshore" funds. Also, if the broker’s client is a U.S.-resident agent (for example, a fund manager) that does not provide the identity (and hence the residence) of the entity for which the broker is trading, the U.S.-resident broker should not report the transaction. In addition, U.S.-resident brokers should not report transactions for which they serve only as a settlement agent, clearing broker, prime broker, or custodian.
Other Activities Commonly Performed by Dealers and Brokers

Dealers and brokers commonly perform other activities that give rise to reporting responsibilities. These activities and the Fact Sheets which describe the reporting responsibilities are shown in the following table.

<table>
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<tr>
<th>Activity</th>
<th>Fact Sheet</th>
<th>Notes</th>
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</thead>
<tbody>
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<td>Underwriting (including Issuance of Own Securities).</td>
<td>#2, #3</td>
<td>Reporting is usually by the U.S.-resident underwriter</td>
</tr>
<tr>
<td>Redemption of Own Securities</td>
<td>#3</td>
<td>Reporting is usually by the U.S.-resident paying agent</td>
</tr>
<tr>
<td>Investment in Securities</td>
<td>#4</td>
<td>Reporting is usually by the U.S.-resident end-investor</td>
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<tr>
<td>Investment Manager or Sub-Advisor (including Private Banking)</td>
<td>#5</td>
<td>Reporting is required by the U.S.-resident manager, if the manager does not disclose the identity of the investor to a U.S.-resident broker</td>
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<tr>
<td>Custodian for Client’s Securities</td>
<td>#6</td>
<td>Reports only certain redemptions of securities</td>
</tr>
</tbody>
</table>

Additional Information

The following factors do not affect whether a transaction is reportable by a dealer or broker: (1) the residence of the exchange; (2) the residence of the settlement facility; (3) the location of any banks used for transferring funds; (4) the residence of the issuer of the security; and (5) the residence of any bookkeeping entities.

In all cases, reportable transactions should be entered from the viewpoint of the foreign resident and opposite the row of the country of the foreign resident. All transactions should be reported in the appropriate column, based upon the type of instrument, recalling that fund shares (even money market and bond fund shares) should be treated as equity.
Treasury International Capital Form S
Reporting Requirements for U.S.-Resident Brokers
In the Purchase and Sale of Long-Term Securities

Flow Chart 1a (four images above) are visual illustrations of content in Fact Sheet Number 1
June 21, 2005
Flow Chart 1b (image above) is a visual illustration of content in Fact Sheet Number 1. June 21, 2005
What Transactions to Report - U.S.-Resident Underwriters

U.S. residents that underwrite long-term securities have the following TIC S reporting requirements:

Securities Issued by U.S. Residents

The U.S.-resident lead underwriter¹ should report the amount taken by foreign-resident direct contacts opposite the country of the direct contact. The direct contact would be one of the following:

- Most commonly, the foreign-resident member(s) of an underwriting group.

- A foreign-resident broker or dealer (including an own foreign office).

- If none of the above exists, an end-investor, stock exchange specialist, paying agent, mutual fund or other foreign-resident entity that directly acquires ownership of the security from the U.S.-resident lead underwriter.

The U.S.-resident members of an underwriting group led by a U.S. resident should report as a foreign purchase the amount of the issue sold to their foreign-resident direct contacts.

U.S.-resident members of an underwriting group led by a foreign-resident underwriter should report both: (1) the entire amount taken from the foreign-resident lead underwriter; and (2) amounts sold to foreign residents.

Securities Issued by Foreign Residents

The U.S.-resident lead underwriter of a foreign security should report the entire amount taken for distribution opposite the country of the foreign-resident issuer.

A U.S.-resident member of a foreign-led syndicate, including the U.S.-resident office of a foreign-resident lead underwriter, should report the entire amount it has taken for distribution in the United States, opposite the country of the foreign-resident lead underwriter (not the issuer).

In addition, if any U.S.-resident member of an underwriting group (U.S. led or foreign led) takes possession of a foreign security and sells it to a foreign resident, it

¹ An underwriter is an entity, usually a broker or a dealer, that takes possession of a security and resells it. The lead underwriter(s) are the underwriter(s) responsible for managing the offering.
should report the amount sold to the foreign resident opposite the country of the foreign-resident direct contact. In this case, the direct contact would be one of the following:

- The foreign-resident broker or dealer (including an own foreign office), which purchases the security.

- The foreign-resident end-investor, stock exchange specialist, fund (or its investment manager), or other entity that directly acquires ownership of the security.

The following factors do not affect reportability: (1) the currency denomination of the securities, (2) the country of a guarantor, (3) the residence of the exchange on which the security will trade, (4) the residence of the settlement facility, and (5) the residence of any bookkeeping entities.
Treasury International Capital Form S
Reporting Requirements for U.S.-Resident Underwriters
In the Purchase and Sale of Long-Term Securities

Flow Chart 2 (four images above) are visual illustrations of content in Fact Sheet Number 2. June 21, 2005
What Transactions to Report - U.S.-Resident Issuers of Securities

U.S. residents that issue long-term debt or equity securities (including limited partnership interests) have the following TIC S reporting requirements:

Initial Offerings

Securities issued by a U.S.-resident entity that are purchased by foreign residents are generally reported by the U.S.-resident lead underwriter. However, U.S.-resident issuers of securities have TIC S reporting responsibilities in two cases:

- If a foreign-resident lead underwriter is used (either as a sole lead or as a co-lead underwriter), the issuer should report, as a purchase by a foreign resident, all securities acquired by the foreign-resident lead underwriter.

- If a U.S.-resident entity issues securities without an underwriter, the U.S.-resident issuer is required to report the dollar amount of the new issue acquired by foreign residents (including foreign-resident end-investors and foreign-resident securities depositories). If the residence of the acquirer is not known, the issuer should report based upon the residence of the acquirer’s investment manager (or if the investment manager is not known, the acquirer’s custodian).

The following factors do not affect reportability: (1) the residence of any settlement facility, (2) the location of any banks used for transferring funds, and (3) the residence of any bookkeeping entities.

Redemptions

U.S.-resident issuers are required to report redemptions of their securities only in two cases:

- When a foreign-resident paying agent is used, a U.S.-resident issuer should report a “sale” of the securities by the foreign-resident paying agent, opposite the country of the foreign-resident paying agent.

- When no paying agent is used, the U.S.-resident issuer should report a “sale” of the securities by any foreign residents (including foreign-resident end-investors, custodians, securities depositories and other entities) that present the securities directly to the U.S.-resident issuer for payment.

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1 An underwriter is an entity, usually a broker or a dealer, that takes possession of a security and resells it. The lead underwriter(s) are the underwriter(s) responsible for managing the offering.
Treasury International Capital Form S

Reporting Requirements for U.S.-Resident Issuers
In the Issuance of Long-Term Securities

U.S.-Resident Issuer

U.S. Issuer does not report.

U.S.-Resident Underwriter
Transacts directly with U.S. Issuer.

Foreign Resident
(including foreign underwriters, brokers, and dealers.)
Transacts directly with U.S. Issuer.

U.S. Issuer reports a purchase by a foreigner in column 1, 3, 5, or 7.

Flow Chart 3a (image above) is a visual illustration of content in Fact Sheet Number 3. June 21, 2005
Reporting Requirements for U.S.-Resident Issuers
In the Redemption of Long-Term Securities

U.S. Resident
Presents Security For Redemption.

Foreign Resident
Presents Security For Redemption

U.S. Issuer does not report.

U.S. Issuer reports a sale by a foreigner in column 2, 4, 6, or 8.

U.S.-Resident Issuer

Flow Chart 3b (image above) is a visual illustration of content in Fact Sheet Number 3. June 21, 2005
What Transactions to Report - U.S.-Resident End-Investors

An end-investor is an entity that acquires or relinquishes securities for its own account.

The TIC S system is designed to minimize reporting by end-investors, by requiring that certain U.S.-resident financial intermediaries provide the bulk of the reporting. These intermediaries are brokers, dealers, investment managers, custodians, and paying agents.

TIC S reporting requirements for the purchase and sale of fund shares or securities for a fund’s portfolio are described in the TIC S Fact Sheet number 6.

Purchases and Sales of Securities

U.S.-resident end-investors are required to report purchases and sales of securities if they deal “directly” with a foreign resident (i.e., they do not use a U.S.-resident broker or dealer (including an underwriter) or (in most cases) a U.S.-resident investment manager). Examples of the direct acquisition or sale of securities would include:

- The purchase or sale of a U.S. or foreign security when the U.S.-resident end-investor interacts directly with a foreign-resident securities broker or dealer.

- The purchase or sale of a security (including a new issue) directly with a foreign-resident issuer, a foreign-resident underwriter, or another foreign resident, without the use of a U.S.-resident broker, dealer, or investment manager.

All such transactions are reportable, including those initiated by a foreign-resident investment manager on behalf of a U.S. resident.

Redemption of Securities

End-investors are required to report redemptions of U.S. or foreign securities if they present securities directly to a foreign-resident paying agent or issuer, but only if the security is not presented by a U.S.-resident custodian and the order is not conducted through a U.S.-resident investment manager or a U.S.-resident broker.

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1 An investment manager is an entity responsible for communicating instructions regarding account transactions on behalf of end-investors to ensure authorized transactions are performed correctly and that the accounts are properly maintained and reported to the end-investor. An entity’s status as an investment manager is not affected by the entity’s responsibility, or lack thereof, for making investment decisions.
Reporting Requirements for U.S.-Resident End Investors in the Purchase and Sale of Long-Term Securities

U.S.-Resident End Investor

Purchases and sells securities for own U.S. account.

U.S. End Investor does not report.

Foreign Resident (including foreign underwriters, brokers, and dealers.)

U.S. End Investor reports in column 1-12.

Flow Chart 4a (image above) is a visual illustration of content in Fact Sheet Number 4. June 21, 2005
Treasury International Capital Form S

Reporting Requirements for U.S.-Resident End Investors
In the Redemption of Long-Term Securities

U.S.-Resident End Investor

Redemption of securities for own U.S. account.

Flow Chart 4b (image above) is a visual illustration of content in Fact Sheet Number 4.  June 21, 2005
What Transactions to Report - U.S.-Resident Fund Managers and Investment Managers

The purchase and sale of fund equity interests and the purchase and sale of long-term securities for a fund’s or other customer’s portfolio are both transactions which are potentially reportable on the TIC Form S.

The TIC S system is designed to minimize reporting by fund managers and investment managers by requiring that certain other financial intermediaries provide the bulk of the reporting. These intermediaries are brokers, dealers, custodians, and paying agents. TIC S reporting responsibilities are not affected by the fund manager’s and investment manager’s responsibility, or lack thereof, for making investment decisions.

Purchases and Sales of Securities (including all fund equity interests)

U.S.-resident fund managers and investment managers should report all purchases and sales they make for the accounts of their U.S.-resident funds and other customers that are:

- placed through a foreign-resident broker, dealer, or underwriter; or
- conducted with a foreign resident, including foreign-resident fund managers, investment advisors, sub-advisors, and end-investors without the use of a broker, dealer, or underwriter.

U.S.-resident fund managers and investment managers should also report purchases and sales made for the accounts of their foreign-resident funds and other customers that are placed through U.S.-resident brokers, dealers, or underwriters, if the identity of the account holder is “not fully disclosed” to the U.S.-resident broker, dealer or underwriter.

To “not fully disclose” means that the U.S.-resident broker, dealer, or underwriter has not been provided with the identity of the foreign-resident account holder and therefore only knows an alias, omnibus account, or the U.S.-resident fund manager’s or investment manager’s identity.

Redemptions of Securities (including all fund equity interests)

U.S.-resident fund managers and investment managers should report all redemptions of securities from the accounts of their U.S.-resident customers that are presented to a foreign-resident paying agent or foreign-resident issuer without the use of a U.S.-resident custodian.

U.S.-resident fund managers and investment managers should also report redemptions from the accounts of their foreign-resident customers that are presented to
U.S.-resident paying agents or U.S.-resident issuers, if the foreign-resident account holder is not fully disclosed to a U.S.-resident custodian or to the U.S.-resident paying agent or U.S.-resident issuer.
Treasury International Capital Form S

Reporting Requirements for U.S. Residents
Including U.S.-Resident Fund Managers of U.S.-Resident Funds for Transactions to Purchase or Sell:
(1) Securities for a Fund's Portfolio; or
(2) Fund Shares

Flow Chart 5a (four images above) are visual illustrations of content in Fact Sheet Numbers 4 and 5. June 21, 2005
Reporting Requirements for U.S.-Resident Investment Managers for Transactions to Purchase or Sell:
(1) Securities for a Fund’s Portfolio; or
(2) Fund Shares

Flow Chart 5b (four images above) are visual illustrations of content in Fact Sheet Number 5.  June 21, 2005
What Transactions to Report - U.S.-Resident Custodians

A custodian is an entity that safekeeps securities for an end-investor (including another unit of the same entity).

In general, U.S.-resident custodians do not report transactions on TIC S. The two exceptions are described below. In both cases, the reporting requirements are as if the U.S.-resident custodian took possession of the security, whether it actually does or not.

Redemptions from the Accounts of U.S. Residents

U.S.-resident custodians that present securities for redemption to a foreign-resident paying agent or a foreign-resident issuer from the accounts of U.S. residents (including U.S.-resident custodians and sub-custodians) should report the redemptions as purchases by the foreign-resident paying agent or foreign-resident issuer.

Redemptions from the Accounts of Foreign Residents

U.S.-resident custodians that present securities for redemption to a U.S.-resident paying agent or a U.S.-resident issuer from the accounts of foreign residents (including foreign-resident custodians and sub-custodians) should report the redemptions as sales by the foreign clients, but only if the U.S.-resident custodian does “not fully disclose” the account holder. (If the U.S.-resident custodian does “fully disclose” the account holder to the U.S.-resident paying agent or U.S.-resident issuer, reporting is the responsibility of the U.S.-resident paying agent or U.S.-resident issuer.)

To “not fully disclose” means that the U.S.-resident paying agent has not been provided with the identity of the foreign resident account holder and therefore only knows an alias, omnibus account, or the U.S.-resident custodian’s identity.
Treasury International Capital Form S
Reporting Requirements for U.S.-Resident Custodians
In the Redemption of Long-Term Securities
Issued by U.S. and Foreign Residents

Flow Chart 6 (four images above) are visual illustrations of content in Fact Sheet Number 6.
What Transactions to Report - U.S.-Resident Paying Agents

A paying agent\(^1\) is an entity that is appointed by an issuer of securities, which makes payments of principal and interest on the issuer’s behalf.

For TIC S reporting purposes, U.S.-resident paying agents should treat redemptions of securities as if they (a U.S. resident) acquired the security and then re-sold it to the issuer. U.S.-resident paying agents have the following two reporting responsibilities:

- When a foreign resident presents a security (U.S.-issued or foreign-issued) for redemption, the U.S.-resident paying agent should report the event as a sale by a foreigner. (Often the paying agent will receive a security presented by a third party (such as a U.S.-resident custodian). If the paying agent knows the identity of the investor, the residence of the investor should determine whether the redemption should be reported. More commonly, the paying agent will not have this information and will have to determine residency based upon the residence of the third party.)

- When a U.S.-resident paying agent redeems a security issued by a foreign resident (a “foreign security”), the U.S.-resident paying agent should report a purchase by the foreign issuer of the entire amount the U.S.-resident paying agent has redeemed on the issuer’s behalf.

\(^1\) A paying agent may also be referred to as a “disbursing agent.”
Reporting Requirements for U.S.-Resident Paying Agents
In the Redemption of Long-Term Securities Issued by U.S. Residents

U.S. Resident
Presents Security

Foreign Resident
Presents Security

U.S. Paying Agent
reports a sale by a
foreigner in column 2,
4, 6, or 8.

U.S.-Resident
Paying Agent
Presents Security

U.S.-Resident
Issuer

U.S. Paying Agent
does not report.

Flow Chart 7a (image above) is a visual illustration of content in Fact Sheet Number 7. June 21, 2005
Reporting Requirements for U.S.-Resident Paying Agents
In the Redemption of Long-Term Securities
Issued by Foreign Residents

U.S. Resident
Presents Security

U.S. Paying Agent
does not report.

Foreign Resident
Presents Security

U.S. Paying Agent reports a sale by a foreigner in column 10 or 12.

U.S.-Resident Paying Agent
Presents Security

U.S. Paying Agent reports a purchase by a foreigner in column 9 or 11.

Foreign-Resident Issuer

Flow Chart 7b (image above) is a visual illustration of content in Fact Sheet Number 7.  June 21, 2005