# **TIC GLOSSARY** June 2014, revised Nov. 2016, March-April 2018.

(Bar on right side indicates additions & clarifications since Nov. 2016)

**ADMINISTRATIVE AGENT** – An institution responsible for administering a loan, acting on behalf of all lenders, and acting as a conduit for all payments in a loan syndication. An administrative agent should report drawn loan syndications to U.S. resident borrowers owed to foreign residents on the BL-2 (if dollar-denominated) or the BQ-2 (if foreign currency-denominated) (except when pooled into foreign CLOs, these should be reported by U.S. CLO Trustee).

**AFFILIATE** – A foreign-resident affiliate is any foreign-resident entity for which the reporter owns 10 percent or more of its voting equity (or the equivalent); or any foreign-resident "parent" company which owns 10 percent or more of the reporter's voting equity (or the equivalent); or any foreign-resident company which is a subsidiary (50 percent or more owned) of a foreign parent company of the reporter.

**AMERICAN DEPOSITARY RECEIPT (ADR)** – Negotiable certificates, typically issued by a U.S.-resident company for securities (usually shares of stock) issued by a foreign corporation. The securities are backed by the foreign securities, which are held in a custodial account, either at the issuing bank or by an agent. The ADRs themselves may be held in U.S. or foreign banks. ADRs are considered foreign securities and, purchases and sales of ADRs, by U.S. residents are reportable on the TIC S report. (To avoid double counting, the custodial holdings of the foreign securities are not reportable.) ADR holdings are not reportable on the TIC B reports.

**AMERICAN DEPOSITARY SHARE (ADS)** – Negotiable securities certificate issued in the United States by transfer agents acting on behalf of foreign issuers, where the foreign issuers absorb part or all of the handling costs involved. The ADS should be reported, not the foreign securities held in custody.

**ASSET POOLS** – A collection of assets (securities, real estate, currencies, commodities). Funds and other investment vehicles usually invest in asset pools.

**ASSET-BACKED SECURITIES** – Securitized interests in a pool of assets, which give the purchaser a claim against the cash flows generated by the underlying assets. These pools may be derived from mortgage loans, auto loans, credit card receivables, vehicle and equipment leases, consumer loans, commercial loans or other assets. ABS give the holder an undivided interest in the securitized assets and payments made from the cash flows received by the issuer from the payments of principal and interest from the borrowers. (ABS include mortgage-backed securities (MBS), collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), collateralized debt obligations (CDOs), and stripped asset-backed securities. ABS do not include securities, such as covered bonds or pfandbriefes, where the security is collateralized, but the holder of the security does not have a claim of the cash flows generated by the collateral.)

**BEARER BOND** – Securities that are not registered in the name of their owner. The owner collects interest and dividends upon presentation of detachable coupons to a bank or fiduciary agent.

**BEARER BOOK-ENTRY SECURITIES** – See BEARER GLOBAL NOTES/CERTIFICATES.

**BEARER GLOBAL NOTES/CERTIFICATES** – Bearer notes issued to one or more dealers that are represented by a single global note in bearer form and are intended to be the backing for registered securities issued by the central security depository. (See also GLOBAL NOTES/CERTIFICATES.)

**BRADY BONDS** – Collateralized dollar-denominated bonds issued by a foreign government or central bank in exchange for loans under the Brady Plan. Brady Bonds are considered long-term debt securities.

**BROKERAGE BALANCES** – Cash balances: 1) held by U.S. residents in brokerage and margin accounts with foreign residents; and 2) held by foreign residents in brokerage and margin accounts at U.S.-resident entities. Brokerage balances should be reported gross and include funds that may be freely withdrawn or held to support positions in futures, securities or other financial instruments.

The following are examples that generate cash balances in brokerage balances:

- Cash proceeds from selling securities short.
- Cash margin or collateral placed to support open positions in futures (initial, maintenance and margin) or options on exchanges, over-the-counter derivatives, and excess cash margin or collateral retained from previous settlements of positions.
- Cash margin lent to foreign residents for their purchases of securities.
- Cash interest and dividends on securities that have been pledged as collateral with foreign residents. Brokerage balances held at foreign entities should be reported on the BC (if they are the reporter's own dollar claims), on the BQ-1 (if they are U.S. dollar-denominated customer claims of a reporter), or on the BQ-2 (if they are foreign currency- denominated claims). Liabilities to foreign residents from brokerage balances should be reported on the BL-1 (if they are the reporter's own dollar liabilities) and on the BQ-2 (if they are foreign currency denominated liabilities).

**CENTRAL SECURITIES DEPOSITORY (CSD)** – CSDs hold securities, either in certificated or uncertificated (dematerialized) form, to enable the transfer of ownership of securities.

CSDs are not necessarily custodians, since they may be responsible only for registering and settling security transactions. The major U.S. central securities depository is Depository Trust and Clearing Corporation (DTCC) and the major foreign- resident central securities 31 depositories are Euroclear and Clearstream.

**CERTIFICATE OF DEPOSIT (CDS)** – See NEGOTIABLE CERTIFICATES OF DEPOSIT.

**COLLATERALIZED MORTGAGE OBLIGATION (CMO)** – Mortgage-backed securities, which give the purchaser a claim against the cash flows generated by the underlying mortgages. CMOs are usually characterized by a multi-tranche or multi-class serialized structure.

**COMMERCIAL PAPER** – A promissory note either unsecured or backed by assets such as loans or mortgages. They are usually sold at a discount and customarily have a maturity of 270 days or less. Holdings of commercial paper should be reported on the B reports at face value, as a short-term security.

**COMMINGLED ACCOUNT** – An account in which the investment funds of individual clients are pooled, with each client owning portions of the pooled account.

**COMMODITY-LINKED DERIVATIVES** – Commodity contracts are contracts that have a return, or portion of their return, linked to the price of, or to an index of, precious metals, petroleum, lumber, agricultural products, etc. Derivatives are reportable ONLY on TIC Form D Reports.

**COMMON STOCK** – A security representing units of equity ownership in a corporation. Common stock claims are subordinate to the claims of bondholders, preferred stockholders, and general creditors. Owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings.

**CONVERTIBLE BOND** – A bond that can be exchanged at a set price for equity securities by the holder under certain conditions.

**CONVERTIBLE SECURITIES** – Corporate securities (usually preferred shares or bonds) that are exchangeable for a set number of another form (usually common shares) at a pre-stated price.

**COVERED BOND** – Also known as Mortgage Bond or Pfandbriefe. A bond that is backed by loans, typically mortgages, but does not give the purchaser a claim against the cash flows generated by the underlying assets.

**CREDIT BALANCES** – Liabilities to a third party that are incidental to, or that arise from, the exercise of banking powers, including the payment of checks and lending of money. They must be no larger than necessary for the specific transaction. Credit balances are reported as deposits. Credit balances are reported as deposits on the BL-1 and as demand deposits on the BQ-3.

**CREDIT DERIVATIVES** – Contracts in which the payout is linked primarily to some measure of the creditworthiness of one or more credits. Credit derivatives are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or "reference entity" to another party (the "guarantor"). Credit derivatives include credit default swaps, total return swaps and credit options. Derivatives are reportable ONLY on TIC Form D Reports.

**CUSTODIAN** – An organization that manages or administers the custody or safekeeping of stock certificates, debt securities, or other assets for institutional and private investors.

**DEALERS** – A securities dealer is an entity that engages in buying securities for its own account. However, the definition of securities dealers excludes depository institutions and other institutions acting in a fiduciary capacity. See the Securities Exchange Act for a list of the activities that constitutes a dealer.

**DEPOSIT NOTES** – A debt security issued by a bank, backed by federal deposit insurance up to $100,000 in principal and interest. They pay a fixed rate of interest and can be issued in book entry or certificate form.

**DEPOSITARY RECEIPTS** – Negotiable certificates evidencing the deposit of publicly traded securities. Depositary Receipts can be listed on an exchange to ease trading in markets outside that of the issuing corporation. Depositary receipts are available in various forms, including American (ADR), which represent shares of a non-U.S. corporation and are considered foreign equity securities; European (EDR), which represent shares of either a U.S. or non-U.S. corporation and are used to access the European markets; Global (GDR) and International (IDR), which represent shares of either a U.S. or non-U.S. corporation; and American Depositary Shares (ADS), which represent individual shares of a non-U.S. corporation.

**DEPOSITORY** – An entity that holds securities, either in certificated or uncertificated (dematerialized) form, to enable the transfer of ownership of securities. Depositories are not necessarily custodians, since they may be responsible only for registering and settling security transactions. The major U.S. depository is Depository Trust and Clearing Corporation (DTCC).

**DEPOSITORY INSTITUTION** – Any financial institution that accepts deposits. Depository institutions include government-sponsored credit unions.

U.S. depository institutions include:

U.S. government-sponsored credit unions, U.S. commercial banks (national banks, state-chartered commercial banks, trust companies that perform commercial banking business), U.S. branches and agencies of foreign banks, U.S. industrial banks, and banking Edge Act and Agreement Corporations, building or savings and loan associations, homestead associations, cooperative banks, non-bank banks, credit unions, and mutual or stock savings banks."

**DEPOSITS –** The unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, including balances in a checking, savings, or time account, or which are evidenced by its certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler's check on which the bank is primarily liable.

**DERIVATIVE CONTRACT** – A derivative contract is a financial instrument or other contract with all three of the following characteristics:

- It has: (a) one or more underlyings; (b) one or more notional amounts; and (c) payment provisions. These terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
- It requires no initial net investment, or an initial net investment that is much smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative contracts are only reportable on the TIC D reports. Embedded derivatives that are not bifurcated under FAS 133 should not be separated from the host contract and should be reported on the TIC B reports. However, if an embedded derivative is bifurcated, the derivative should be excluded from the B reports.

**DEVELOPMENT BANKS** – Entities owned by national governments other than the United States and are established to promote economic development of sectors of the economy, such as trade, housing, agriculture, finance and industry. Unless the development bank also performs the functions of a foreign official institution, development banks should be reported as private banks, even if owned by the government.

**DIRECT INVESTMENT** – Investment in which a resident of one country obtains a degree of influence over the management of a business enterprise in another country. The criterion used to define direct investment is ownership of at least 10 percent of the voting securities of an incorporated business enterprise or the equivalent interest in an unincorporated business enterprise. U.S. direct investment abroad represents the ownership or control, directly or indirectly, by one U.S. resident (U.S. parent) of at least 10 percent of a foreign business enterprise, which is called a foreign affiliate. Foreign direct investment in the United States represents the ownership or control, directly or indirectly, by one foreign resident (foreign parent) of at least 10 percent of a U.S. business enterprise, which is called a U.S. affiliate. For guidance on how to apply the direct investment criterion in the case of a limited partnership, see "LIMITED PARTNERSHIPS AND DIRECT INVESTMENT" below.

Direct investment transactions and positions can be in the form of equity or debt between affiliated entities. These transactions and positions are to be reported on the direct investment surveys conducted by the Bureau of Economic Analysis (BEA) and excluded from TIC reports, with two exceptions: 1) debt between selected affiliated financial intermediaries and 2) equity in and debt with certain private funds.

Debt between selected affiliated financial intermediaries is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship.

The financial intermediaries covered by this case are:
- deposit-taking corporations;
- securities brokers and dealers;
- financial and bank holding companies;
- investment funds; and
- other financial intermediaries, except insurance companies and pension funds.

If both the U.S. entity and the affiliated foreign entity are financial intermediaries, all of their cross border debt positions—both affiliated and unaffiliated—are to be reported on TIC surveys and excluded from BEA direct investment surveys.

Insurance companies and pension funds are financial intermediaries that are not covered by this exception to the direct investment definition and their debt positions with their affiliated entities are part of direct investment and reported to BEA. Insurance companies and pension funds should only report debt positions with unaffiliated foreign firms on TIC surveys.

<u>Exception for private funds</u>: Investments by U.S. entities of a 10 percent or more voting interest in a foreign private fund, and investments by foreign entities of a 10 percent or more voting interest in a U.S. domiciled private fund should be reported on TIC surveys and are not required to report on BEA direct investment surveys if they meet **BOTH** of the following criteria:
- The private fund does not own, directly or indirectly through another business enterprise,

an “operating company” – i.e., a business enterprise that is not a private fund or a holding company— in which the U.S. or foreign parent owns at least 10 percent of the voting interest,

**AND**

- If the private fund is owned indirectly (through one or more other business enterprises), there are no “operating companies” between the U.S. or foreign parent and the indirectly-owned private fund.

Effective for TIC reports as of January 1, 2017 and afterwards, transactions and positions associated with investments in private funds that meet these criteria should be reported on TIC surveys and not on BEA’s direct investment surveys.

Guidance on the decision to report investments in certain private funds or between entities of certain private funds in the TIC system or in BEA surveys can be found at: https://www.bea.gov/ privatefunds; use the tools labeled ‘‘U.S. Investments in Foreign Private Funds’’ and ‘‘Foreign Investments in U.S. Private Funds.’’

**END-INVESTOR –** An entity that acquires or relinquishes securities for its own account (for trading, investment, or any other purposes) or invests on behalf of others, including asset pools, such as managers of mutual funds, managers of insurance company policyholder assets, and pension fund managers.

**EQUITY, EQUITIES** – Equity includes common stock, preferred stock, fund shares, and portfolio investment in limited partnerships and hedge funds and funds of hedge funds. U.S. equity is issued by entities resident in the United States. Foreign Equity is issued by public and private corporations and entities incorporated outside the United States, including holdings of American Depositary Receipts (ADRs).

**EQUITY-LINKED DERIVATIVES** – Equity contracts are contracts that have a return, or portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor’s 500. Derivatives are reportable ONLY on TIC Form D Reports.

**EXCHANGE-TRADED FUNDS (ETF)** – Mutual funds which trade like stocks on exchanges.

**FINANCIAL INTERMEDIARY** - An organization or part thereof (e.g., subsidiary or other operating unit) whose major activity is to raise or otherwise obtain funds to provide to another entity. (An insurance company is not a financial intermediary. “Other financial intermediary” is a financial intermediary other than a depository institution, a securities broker/dealer or a bank holding company and/or financial holding company.

**FINANCIAL ORGANIZATION** – Any organization that is principally engaged in providing financial services to other organizations and households. This includes but is not limited to financial intermediation services provided by banks and other depository institutions, brokerage services, underwriting services, financial management services, credit origination services, credit card services, insurance services, pension services, financial advisory services, custody services, securities lending services, and electronic funds transfer services. Types of financial organizations include but are not limited to depository institutions, broker/dealers, bank holding companies (BHCs), insurance corporations, financial holding companies (FHCs), money market funds, pension funds, investment banks, private equity companies, credit card issuers, hedge funds and trusts. Financial organizations include government-sponsored credit unions and pension funds.

**FINANCING LEASE** – A lease is an agreement that transfers the right to use an asset for a specified period of time. Follow the standards set forth in FASB Statement No. 13, “Accounting for Leases” to distinguish a financing lease from an operating lease. In particular, if any one of the following criteria is met, a lease must be accounted for as a financing (or capital) lease:

- Ownership of the property is transferred to the lessee at the end of the lease term, or
- The lease contains a bargain purchase option, or
- The lease term represents at least 75 percent of the estimated economic life of the leased property, or
- The present value of the minimum lease payments at the beginning of the lease term is 90 percent or more of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by and expected to be realized by the lessor.

If none of the above criteria is met, the lease should be accounted for as an operating lease.

**FOREIGN BANK** – A bank located in a foreign country and organized under the laws of that country.

**FOREIGN OFFICIAL INSTITUTIONS (FOI)** – A foreign official institution includes the following:

1. Treasuries, including ministries of finance, or corresponding departments of national governments; central banks; including all departments thereof; stabilization funds, including official exchange control offices or other government exchange authorities; diplomatic and consular establishments and other departments and agencies of national governments

2. International and regional organizations.

3. Banks, corporations, or other agencies (including development banks and institutions that are majority-owned by central governments) that are fiscal agents of national governments, performing activities similar to those of a treasury, central bank, stabilization fund, or exchange control authority."

**FOREIGN RESIDENT (FOREIGN, FOREIGNER)** – Any individual, corporation, or other organization legally established outside the United States, regardless of the actual center of economic activity of the entity. A corporation incorporated outside the United States is a foreign resident even if it has no physical presence outside the United States.

Foreigners/Foreign Residents include:

- Foreign governments and any subdivision, agency or instrumentality thereof, including all foreign official nonbanking institutions, even if located in the United States (e.g., an embassy, consulate, or other diplomatic establishment of a foreign country). (However, all U.S. subsidiaries of foreign corporations are U.S. residents.)

- Entities that have filed an IRS Form W-8, indicating that the individual or entity is a nonresident alien or foreign entity not subject to certain United States information return reporting or to backup withholding rules.
- Any corporation or other organization located outside the United States, including the branches, subsidiaries, and other affiliates of U.S. entities located abroad.
- Individuals, including citizens of the United States, residing outside the United States.

EXCEPTION: Official international or regional organizations or subordinate or affiliated agencies thereof, created by treaty or convention between sovereign states, even if located in the United States, including the International Bank for Reconstruction and Development (IBRD or World Bank), the International Monetary Fund (IMF), and the United Nations (UN), are also considered foreign residents. (For a list of international and regional organizations, please see the corresponding appendix in instructions for each report form.)

**FOREIGN SECURITIES** – Securities issued by entities established under the laws of a foreign country (i.e., legally incorporated, otherwise legally organized, or licensed (such as branches) in a foreign country) and securities issued by international organizations, even if these organizations are located in the United States.

**FOREIGN SUBCUSTODIAN** - A foreign institution that holds in safekeeping foreign securities for a U.S. resident custodian.

**FOREIGN-RESIDENT AFFILIATE** – Any foreign-resident entity for which the reporter owns, directly or indirectly, 10 percent or more of its voting equity (or the equivalent); or any foreign-resident "parent" company which owns 10 percent or more of the reporter's voting equity (or the equivalent); or any foreign-resident company which is a subsidiary (50 percent or more owned) of a foreign parent company of the reporter.

**FOREIGN-RESIDENT CUSTODIAN** – A custodian located outside the United States, including a foreign affiliate of a U.S. custodian. Reporters should determine the location of a custodian according to the country where the custodian is incorporated, or otherwise legally established, not according to the country of custodian's parent firm, and not according to the location of the custodian's operations center.

**FORWARDS** – Contracts that represent agreements for future delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified commodity or instrument at a specified price or yield. Derivatives are reportable ONLY on TIC Form D Reports.

**FUNDS** – Pooled, separate and general investment accounts including the following institutional and private investors: private and public pension funds; mutual funds, country funds, exchange traded funds, unit investment trusts, collective-investment trusts, hedge funds, private funds, and any other similarly pooled, commingled investment fund.

**FUTURES** – Contracts that represent agreements for future delivery of financial instruments in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges. Derivatives are reportable ONLY on TIC Form D Reports.

**GLOBAL NOTES/CERTIFICATES** – Notes issued to one or more dealers that are represented by a single global note and are intended to be the backing for registered securities issued by the central security depository.

**HOLDER OF SECURITIES** – The holder of record is the owner of a company's securities as recorded on the books of the issuing company or its transfer agent as of a particular date. The term "holder of securities" in the TIC instructions also refers to the custodian holding on behalf of its clients. The content of the surrounding instructions should determine the appropriate meaning. If there are questions, contact the Federal Reserve Bank.

**HOUSEHOLD** – An individual or group of individuals that share a dwelling, that is, live and sleep in that dwelling most of the time, who pool some or all of their income and wealth, and who consume certain types of goods collectively, mainly housing and food. Business activities included in this sector are informal and do not have a separate legal status from the household. Partnerships and proprietorships that have a separate legal identity from the household are organizations that are not included in the household sector.

**INDIVIDUALS** – Natural persons.

**INSURANCE TECHNICAL RESERVES** – Insurance technical reserves are liabilities of the insurance companies to policyholders and beneficiaries which represent the amounts identified by insurance companies to account for the prepayment of insurance premiums and reserves for unpaid claims incurred but not yet paid. These reserves quantify the outstanding loss liabilities for insurance claims which have been reported and not paid or which have been incurred but not reported (IBNR).

**INTERNATIONAL BANKING FACILITIES (IBFS)** – A set of asset and liability accounts, segregated on the books of the United States establishing entity. IBFs are permitted to hold only assets and liabilities of foreign residents, residents of Puerto Rico and United States territories and possessions, other IBFs, and United States and foreign offices of the establishing entity. (See Federal Reserve Regulation D for more information.)

**INVESTMENT MANAGER** – 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.

**INVESTMENT TRUST SHARE** – A share of a company bound by a trust deed issued in registered form, formed to invest in specific types of securities. Shares in an investment trust can usually be bought and sold only through the stock exchange. These are sometimes referred to as 'closed-end' funds.

**ISSUER** – Legal entity that has the power to issue and distribute a security. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

**LIMITED PARTNERSHIPS AND DIRECT INVESTMENT** – The determination of whether a partner and a limited partnership are in a direct investment relationship is based on who controls the partnership; it is NOT based on the percentage of ownership in the partnership's equity. In most cases, the general partner is presumed to control a limited partnership and therefore, to be in a direct investment relationship with the limited partnership. If there is more than one general partner, the partnership is presumed to be controlled equally by each of the general partners, unless a clause to the contrary is contained in the partnership agreement. Limited partners do not normally exercise any control over a limited partnership. Therefore unless a clause to the contrary is contained in the partnership agreement, limited partners are presumed not to be in a direct investment relationship with the limited partnership. Some partnership agreements grant voting rights to limited partners. In such a case, the limited partner could be in a direct investment relationship with the limited partnership if it met the 10 percent voting rights criterion for direct investment.

**LOAN** – A loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The loan may have originated through direct negotiations with the borrower or it may have been originated by another lender that directly negotiated with a borrower. Loans may take the form of promissory notes, acknowledgements of advance, due bills, invoices, overdrafts, and similar written or oral obligations.

Loans include:

- Factored accounts receivable.
- Participations (acquired or held) in a single loan or pool of loans or receivables (see glossary entry for PARTICIPATIONS).
- Drawn syndicated loans.
- Repurchase/resale agreements, where securities have been transferred in return for cash balances.
- Loans made to finance trade other than those between purchaser and seller of the traded good or service.
- Loans exclude those instruments that meet the definition of a security (See glossary entry for SECURITIES).

**LOAN SERVICING ARRANGEMENTS, LOAN SERVICER** – An arrangement whereby one party (the loan servicer) agrees to collect payments from borrowers on behalf of the holder(s) of the loan. The loan servicer may be the originator of the loans, or may be another institution. The loan servicer/administrative agent should report the outstanding loans to U.S. resident borrowers owed to foreign residents on the BL-2 ( if U.S. dollar-denominated), or the BQ-2 (if foreign currency-denominated) (except when pooled into CLOs, these should be reported by U.S. CLO Trustee).

**LONG-TERM** – No contractual maturity or an original maturity of more than one year. Long-term securities are securities without a stated maturity date (such as equities) or with an original term-to-maturity greater than one year.

**LONG-TERM DEBT SECURITY** – Debt security with no contractual maturity or with an original maturity of more than one year.

**FUND MANAGER** – Manager of a pool of money such as a, but not limited to, mutual fund, pension fund, insurance fund, bank-pooled fund or hedge funds.

**MUNICIPAL BONDS** – Debt securities issued by state and local governments.

**NATIONALIZED BANK** – Institutions owned by foreign central governments that are classified as banks in their respective countries. Nationalized banks are classified as foreign private commercial banks. However, a nationalized bank is classified as a foreign official institution when it performs the functions of a central bank.

**NEGOTIABLE CERTIFICATE OF DEPOSIT** – A negotiable (transferable) instrument or deposit in book entry form evidenced by a receipt or similar acknowledgement issued by a bank, which provides on its face that the amount of such deposit is payable to bearer or any specified person (e.g., deposit notes, bank notes). Negotiable certificates of deposit are not considered securities on the TIC reports. All foreign-held U.S. negotiable certificates of deposit (regardless of maturity) whether issued by the reporter or by another depository institution should be reported on the BL-2 (if dollar-denominated) or BQ-2 (if foreign currency-denominated). U.S. held foreign negotiable certificates of deposits should be reported on the BC or BQ-1 (if dollar-denominated), or the BQ-2 (if foreign currency-denominated).

**NET SETTLEMENTS** – Net settlements include all cash receipts and payments for the purchase, sale, or final closeout of derivatives, as well as all payments according to the terms of derivative contracts such as periodic payments under the terms of a swap agreement or daily payments for an exchange-traded contract. Do not report as settlements the value of commodities, securities, or other non-cash assets received or delivered to settle derivatives contracts of any type. Derivatives are reportable ONLY on TIC Form D Reports.

**NON-BANK FINANCIAL INSTITUTIONS (NBFI)** – Businesses and institutions other than banks and other depository institutions, that are primarily engaged in proprietary investments and/or in the provision of financial services to other organizations and households. These services include, but are not limited to financial services whose functions are predominantly: the extending of credit for business purposes, brokerage services, underwriting services, financial management services, credit origination services, credit card services, insurance services, and pension services. Types of non-bank financial organizations include, but are not limited to:

- Securities brokers/dealers
- Bank holding companies (BHC)
- Financial holding companies (FHC)
- Intermediate holding companies (IHC)
- Savings and Loan holding companies
- Insurance companies (should only report debt positions with unaffiliated foreign residents)
- Money market funds
- Pension funds
- Investment banks
- Private funds
- Credit card issuers
- Hedge funds
- Trusts
- Collateralized Loan Obligations (CLO) Trustees
- Finance companies
- Mortgage companies

- Factors and other financial intermediaries who extend short-term business credit to finance inventories or carry accounts receivable"
- Futures commission merchants

**NON-FINANCIAL ORGANIZATION** – Any organization that is principally engaged in producing goods or nonfinancial services. This sector excludes Federal, state, and local governments; however it includes agencies and instrumentalities of governments such as utilities that produce goods or non-financial services that are not strictly governmental in nature in exchange for money.

**NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS** – Institutions that are mainly engaged in providing goods and services to households free of charge or at prices that are not economically significant. Examples include but are not limited to charities, relief and aid organizations and religious institutions.

**OPTIONS** – Contracts that convey either a right or an obligation to buy or sell a financial instrument at a specified price by a specified future date. Options may trade on an organized exchange or in OTC markets. Derivatives are reportable ONLY on TIC Form D Reports.

Bought Options: The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument at a stated price on a specified future date.

Written Options: The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument at the option of the buyer of the contract.

**OVERDRAFT** – An overdraft exists when a depository institution honors a check or draft drawn against a deposit account in which insufficient funds are held. Overdrafts should be reported gross and not netted against good balances.

**OWN FOREIGN OFFICES -** Own foreign offices are foreign offices (banking and nonbanking) of the reporter, including any foreign office indirectly owned through a U.S. subsidiary depository or non depository financial institution. In addition, reporters owned by a foreign resident should include its direct foreign parent and any non U.S. branches or agencies as own foreign offices. Reporters should **exclude** offices of the reporter's parent's non-banking or banking subsidiaries as own foreign offices.

Therefore, the reporter should include as own foreign offices the following if applicable:

1. The reporter's own non U.S. offices
2. The reporter's own foreign parent bank
3. The foreign parent banks non U.S. bank branches and agencies
4. The reporter's own U.S. depository institution's and/or non depository institution's foreign resident offices

**PARTICIPATIONS** – A loan agreement whereby one bank contracts with other banks to participate in making a loan to a borrower.  Each participant should report the amount of its own share in the participated loan.

**PAYING AGENT** – An entity that is appointed by an issuer of securities, which makes payments of principal and interest on the issuer's behalf.

**PENSION FUND** – For TIC reporting purposes, a U.S. resident pension fund is a legal entity organized to provide retirement income benefits exclusively for the sponsor's employees or members.
The term "pension funds" includes both defined contribution and defined benefit funds that are sponsored by private or public employers. These funds are institutional units separate from the units that create them. These funds do not include the federal Social Security Administration.

**POLICYHOLDER** – A policyholder is the party that owns an insurance policy.

**PORTFOLIO INVESTMENT** – Pursuant to 22 U.S.C. 3102, portfolio investment means any international investment which is not direct investment.  "International investment" means (a) the ownership or control, directly or indirectly, by contractual commitment or otherwise, by foreign persons of any interest in property in the United States, or of stock, other securities, or short and long-term debt obligations of a United States person, and (b) the ownership or control, directly or indirectly, by contractual commitment or otherwise, by United States persons of any interest in property outside the United States, or of stock, other securities, or short- and long-term debt obligations of a foreign person.

**PREFERRED STOCK** – Equity securities with preferences to the common stock of the issuer. Preferred stock is usually entitled to dividends, stated as a fixed dollar amount or as a percentage of par value, before any dividend can be paid on the common stock and has priority over common shares in the event of liquidation.

**PREPAID INSURANCE PREMIUMS** – Prepaid insurance premiums are the consideration paid by policyholders to insurance underwriters in exchange for the provision of defined future benefits or for the indemnification against specified insured losses.  The portion of premiums associated with the unexpired portion of the term of coverage should be reported as liabilities of U.S. – resident insurance underwriters to foreign-resident policyholders.

**PRIME BROKERS** – Full service brokers that facilitate the clearance and settlement of securities provide the ability to trade with multiple brokerage houses while maintaining a centralized master account with all of the client's cash and securities and provide other services.

**PRIVATE FUND –** This term refers to the same class of financial entities that must report to the Securities and Exchange Commission as private funds on Form PF: "any issuer that would be an investment company as defined in section 3 of the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of … [that] Act."

**REINSURANCE RECOVERABLES** - Reinsurance recoverable represent reimbursements expected by U.S.- resident insurance underwriters, under reinsurance contracts governing underwriting coverage ceded to a foreign – resident insurer, for paid and unpaid claims, claims settlement expenses, and other policy benefits.

**REPURCHASE/RESALE AGREEMENTS** – A repurchase agreement is a transaction involving the sale of financial assets by one party to another, subject to an agreement for the seller to repurchase the assets at a specified price on a future date. A resale agreement (also known as a reverse repurchase agreement) is the same transaction viewed from the opposite perspective. Securities sold or purchased under repurchase (resale) agreements should be reported as if the transaction had not occurred.

Please note that all repurchase agreements should be reported gross (i.e., FIN 41 should not be applied).

If a repurchase agreement does not qualify as a secured borrowing under FAS Statement No. 140, the selling institution should account for the transaction as a sale of financial assets and a forward commitment to repurchase the security. Similarly, if a resale agreement does not qualify as a borrowing under FAS Statement No. 140, the purchasing institution should account for the transaction as a purchase of financial assets and a commitment to sell.

Securities lending agreements in which one security is loaned in return for another are not reportable on the TIC Forms.

**SECURITIES** – Securities are any bill, note, bond, debenture, equity or similar instrument that is commonly referred to as a security, excluding certificates of deposit. (In cases where it is not clear if a specific instrument is a security, contact the Federal Reserve Bank of New York.)

Securities may be negotiable (tradable in secondary markets) or non-negotiable (not tradable in secondary markets).

Securities are classified as short-term (original maturity of one year or less) or long-term (original maturity of more than one year). Short-term securities, include money market instruments such as Treasury bills, short-term agency securities, commercial and finance paper, bankers' acceptances, and short-term notes

Long-term securities include securities with no stated maturity, including equity securities such as common stock, preferred stock, certificate of interests, partnership interests, and mutual fund shares.

**SECURITIES BROKERS AND DEALERS** – Generally, securities brokers are entities that regularly engage in effecting securities transactions for others. A securities dealer is an entity that engages in buying securities for its own account. However, the definition of securities dealers excludes depository institutions and other institutions acting in a fiduciary capacity. (See the Securities Exchange Act for a list of the activities that constitutes a dealer.)"

**SECURITIES DEPOSITORY** – See CENTRAL SECURITIES DEPOSITORY (CSD).

**SETTLEMENT DATE** – The date a security is delivered to the purchaser.

**SETTLEMENT DATE ACCOUNTING** – Under settlement date accounting, assets purchased are not recorded until settlement date. Therefore, only after receiving or sending payment for any financial instrument should the transaction or position be reported.

**SHARES or OTHER UNITS OF FUNDS** – A share is a unit of equity ownership in a corporation;

mutual fund; or interest, normally represented by a certificate, in a general or limited partnership. Ownership and transactions are sometimes made and priced in terms of other units, such as a “unit” of a Unit Investment Trust. In the case of Exchange-Traded-Funds, large investors often trade in “creation units”, e.g. a 50,000 share block, that are bought and sold “in kind”.

**SHORT-TERM** – Original maturity of one year or less.

**SHORT-TERM DEBT SECURITY** – Debt security, including negotiable money market instruments, with an original maturity of one year or less.

**SINKING FUND DEBT or SINKER** – A debt security on which the interest and principal payments are made from a sinking fund. A sinking fund is money accumulated on a regular basis in a separate custodial account that is used to retire a certain amount of the debt at specified intervals and to pay interest on the remaining principal at specified intervals.

**STATE OR LOCAL GENERAL GOVERNMENT** – The fifty states of the United States and the District of Columbia, Puerto Rico and the U.S. territories and possessions, and their political subdivisions, including counties, municipalities, school districts, irrigation districts, and drainage and sewer districts. INCLUDES, but is not limited to the following activities that issue securities: General municipal obligation bonds; Housing/Multi-family programs (housing finance); Revenue bonds (includes general “tax-revenue” bonds, as well as bonds financed by revenue from toll roads, bridges, transportation facilities); Industrial development bonds; General economic development bonds; Bonds for building correctional facilities; School District improvement bonds; Higher education bonds; Fire District improvement.

NOTE: It is common to refer to the “public sector”, which is composed of general government plus the public enterprises. The latter are agencies and instrumentalities of such governments that issue securities for the provision of goods/services that are not strictly governmental in nature in exchange for money. For purposes of TIC reporting, the public enterprises are excluded from “general government” and are included in different sectors, as indicated below:

- Depository Institutions sector -- State and local Credit Unions
- Other Financial Organizations sector -- Pension funds, Retirement funds, Insurance (e.g., health insurance, unemployment insurance)
- Non-Financial Organizations sector -- Utilities (water, electric, sewer, etc.), Healthcare/Hospital bonds , Parking Authority (parking lots and garages)

**STRIPPED DEBT SECURITIES** – Debt securities that have been transformed from a principal amount with periodic interest coupons into a series of zero-coupon securities with the range of maturities matching the coupon payment dates and the redemption date of the principal amount.

**STRIPS** – An acronym for Separately Traded Registered Interest and Principal Securities. These securities are created by "stripping" coupon payments from securities and treating these coupons as separate securities from the principal.

**STRUCTURED NOTE OR BOND** – An over-the-counter financial instrument created specifically to meet the needs of one or a small number of investors. Some of the more common structures include: step-up bonds, index amortizing notes, dual index notes, deleveraged bonds, range bonds, and inverse floaters.

**SUBCUSTODIAN** – A custodian that has legal responsibility for the safekeeping of securities entrusted to it by another custodian.

**SUBORDINATED DEBT** – A security evidencing debt that the holder agrees to rank after senior creditors, but before shareholders, in a bankruptcy.

**SUBSIDIARY** – A company in which another company (parent) owns 50% or more of the voting securities, or an equivalent interest, or meets the consolidation requirements of U.S. GAAP. A subsidiary is always, by definition, an affiliate, but subsidiary is the preferred term when majority control exists.

**SWAPS** – Contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps. Derivatives are reportable ONLY on TIC Form D Reports.

**SWEEP AGREEMENTS** - Sweep agreements are contractual agreements between institutions and their customers that allow funds to be automatically transferred to another account at the same institution, another institution, or into a financial instrument. When funds of U.S. nonbank residents are swept to a non-U.S. office of a B reporter, the B reporter should report the funds held at the non-U.S. office on the BQ-1.

**TREASURY BILL** - A common form of sovereign debt issued by many governments.

**U.S. CLO TRUSTEE -** An entity whose role is to represent the CLO investors. The U.S. CLO Trustee is responsible for issuing monthly 'trustee reports" to investors, which list all assets held by the CLO and details its recent purchases and sales. The U.S. CLO Trustee should report the outstanding loans to U.S. resident borrowers held by foreign CLOs on the BL-2 ( if U.S. dollar-denominated), or the BQ-2 (if foreign currency-denominated).

**U.S. GOVERNMENT AGENCY AND FEDERALLY SPONSORED ENTERPRISE SECURITIES -** Securities that are guaranteed by or are the obligation of a federal agency, a federal instrumentality, or a federally sponsored enterprise. These securities include, but are not limited to, mortgage-backed securities that were issued by, guaranteed by, or are the obligation of a federal agency, a federal instrumentality, or a federally sponsored enterprise, including participation certificates, pass-through, CMOs, REMICS, and IO or PO issues. U.S. government agency securities exclude privately issued mortgage-backed securities that are not guaranteed by the U.S. government or federally sponsored enterprises, even if the underlying collateral is government guaranteed.

A. U.S. Federal Government Agencies and Corporations include, but are not limited to:

Architect of the Capital
Commodity Credit Corporation (CCC)
Department of Agriculture, including former Rural Electrification Administration (REA) and former Farmers Housing Administration (FMHA)
Department of Defense and Military Services (e.g. Air Force)
Department of Housing and Urban Development (HUD)
Department of Interior
Export-Import Bank of the United States (Ex-Im Bank)
Federal Communication Commission (FCC)

Farm Credit System Financial Assistance Corporation (FCSFAC)
Federal Deposit Insurance Corporation (FDIC), including FSLIC Resolution Fund
Federal Housing Administration (FHA)
Financing Corporation (FICO)
General Services Administration (GSA)
Government National Mortgage Association (GNMA or Ginnie Mae)
Maritime Administration
National Archives and Records Administration (NARA)
National Consumer Cooperative Bank
Overseas Private Investment Corporation (OPIC)
Resolution Funding Corporation (REFCORP)
Rural Telephone Bank
Small Business Administration
Tennessee Valley Authority (TVA), including lease obligations
Washington Metropolitan Area Transit Authority (WMATA)

B. Federally Sponsored Enterprises include, but are not limited to:

Farm Credit System:
- Agricultural Credit Bank (ACB)
- Farm Credit Banks (FCB)

Federal Agricultural Mortgage Corporation (FAMC or Farmer Mac)
Federal Home Loan Banks (FHLB)
Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
Federal National Mortgage Association (FNMA or Fannie Mae)

**U.S. MILITARY FACILITIES** – Offices of United States banks located in foreign countries that provide financial services to persons in the United States Armed Forces stationed abroad. For purposes of these reports, United States military facilities are classified as banking offices located in the United States.

**U.S. PERSON** – Pursuant to 22 U.S.C. 3102 a United States person is any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency), who resides in the United States or is subject to the jurisdiction of the United States.

**U.S. RESIDENT** – Any individual, corporation, or other organization located in the United States, including branches, subsidiaries, and affiliates of foreign entities located in the United States. The residency of an entity is determined by where a corporation or subsidiary is incorporated and where a branch is licensed, not by the physical office of the counterparty. Furthermore, U.S. Military Facilities, which are offices of United States banks located in foreign countries that provide financial services to persons in the United States Armed Forces stationed abroad, should be classified as U.S. banking offices for purposes of the TIC reports. The term is used as a qualifier in the instructions, such as U.S.-RESIDENT CUSTODIAN and U.S.- RESIDENT ISSUER.

EXCEPTION: Official international or regional organizations or subordinate or affiliated agencies thereof, created by treaty or convention between sovereign states, even if located in the United States, including the International Bank for Reconstruction and Development (IBRD or World Bank), the International Monetary Fund (IMF), and the United Nations (UN), are not considered U.S. residents. (For a list of international and regional organizations, please see the corresponding appendix in instructions for each report form.)

**U.S. SECURITIES** – Securities issued by U.S.- resident entities, with the exception of depositary receipts that are backed by foreign securities and securities issued by international organizations.

**U.S. TREASURY SECURITIES** – Debt instruments that are direct obligations of the United States Treasury, including Treasury bills (short-term with an original maturity of one year or less), Treasury notes (intermediate-term with an original maturity of 1-10 years), Treasury bonds (long-term with an original maturity of 10 years or more), Treasury Inflation-index securities, STRIPS and securities from which one or more coupons have been detached.

**U.S.-RESIDENT CUSTODIAN** – A custodian that is resident in the United States, including a U.S.-resident affiliate of a foreign custodian.

**U.S.-RESIDENT END-INVESTOR** – An entity that is resident in the United States, including a U.S. affiliate of a foreign end-investor, that either invests for its own account (for trading, investment and other purposes) or on behalf of others, including managed accounts and asset pools. U.S.-resident end-investors include managers of a mutual fund, managers of assets held for insurance company policyholders, and managers of pension and endowment funds.

**U.S.-RESIDENT ISSUER** – Any individual, corporation, or other entity located in the United States that issues securities in its own name, including U.S.-resident affiliates of foreign entities.

**UNDERWRITER** – An entity that takes possession of a security and resells it. The lead underwriter(s) are the underwriter(s) responsible for managing the offering.

**UNIT INVESTMENT TRUST** – A fixed portfolio of securities that are assembled by an underwriter/ sponsor and upon completion of the underwriting, are deposited with an independent trustee. Unit investment trusts have a definite termination date, usually between 6 months and 10 years.

**UNITED STATES** – The fifty (50) States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the following: American Samoa, Baker Island, Guam, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Islands, Navassa Island, Palmyra Atoll, U.S. Virgin Islands, and Wake Island.

**UNPAID INSURANCE CLAIMS** – Liabilities of U.S.-resident insurance underwriters to foreign-resident policyholders, for losses that have incurred but no yet reported (IBNR) and for reported unpaid claims. In addition, U.S. – resident insurance underwriters should recognize as claims, the portion of liabilities that will be recovered from foreign-resident reinsurers (See reinsurance recoverables).

**WARRANT** – An instrument (usually issued together with a bond or preferred stock) that entitles the holder to buy at a specified price a proportionate amount of common stock within a specified period of time. Derivative contracts are only reportable on the TIC D reports. Embedded derivatives that are not bifurcated under FAS 133 should not be separated from the host contract and should be reported on the TIC B reports. However, if an embedded derivative is bifurcated, the derivative should be excluded from the B reports.

**ZERO-COUPON BOND** – Bonds that do not provide interest payments. Zero coupon bonds usually have an issue price well below 100% of the face value with repayment on maturity at face value or par. The investors' return is the difference between the issue price and redemption value.