

INTERNATIONAL REPORTS DIVISION (IRD)  
QUESTIONS and ANSWERS  
FOR  
MONTHLY TREASURY INTERNATIONAL CAPITAL (TIC)  
FORM S AND MEMORANDUM  
PURCHASES AND SALES OF LONG-TERM SECURITIES BY FOREIGNERS  
PURCHASES AND SALES OF LONG-TERM DOMESTIC SECURITIES BY FOREIGNERS

**WHO MUST REPORT**

**Q.**    **Should domestic investors who use money managers file Form S?**

**A.**    Investors using money managers should determine if the manager is outside of the United States.  If they are using a foreign money manager then the investor must report foreigners' purchases from, and sales to, the investor of long-term securities conducted through that money manager.  Investors using money managers that are located in the U.S. should exclude this investment activity from the S report.

**Q. Should purchases and sales of long-term securities executed by your foreign offices for their non-related customers be reported?**

**A.** No. However, purchases and sales of long-term securities where the foreign office is acting as agent on behalf of its offices located in the U.S. should be reported.

**Q. Who should report the purchases and sales of long-term securities that are cleared for other brokers and dealers on behalf of their foreign clients, the clearing broker or the broker contacted directly by the foreign purchaser or seller?**

**A.** If the clearing broker or dealer clears trades on a fully disclosed basis (i.e., the clearing broker knows the identity of the purchaser or seller to be foreign), then that broker or dealer should report the purchases and sales on Form S. However, if the identity of the purchaser or seller is not known to the clearing broker or dealer, then the broker that received the direct order to buy or sell from the foreigner or foreign broker should report the transactions on Form S.

## CONSOLIDATION RULES

**Q. How should bank holding companies consolidate their Form S?**

**A.** Bank Holding companies should report all their transactions in long-term securities with foreigners for the parent holding company and its nonbanking subsidiaries, other than brokers and dealers and insurance underwriting subsidiaries. Brokers/dealers and insurance subsidiaries should submit a separate TIC S report.

**Q. How and what should fund managers report?**

**A.** Fund managers (e.g., managers of mutual funds, pension funds or limited partnerships in the United States) should report all purchases and sales of long-term securities for all of the funds they manage on a consolidated basis if the manager uses a foreign broker or dealer. Sales of the funds' shares to foreigners should be reported as a purchase by foreigners of U.S. stock (column 7). Purchases and sales of long-term securities executed by the fund

through a domestic broker or dealer should be excluded.

**WHAT MUST BE REPORTED**

**Q. How should certificates or receipts representing an interest in a coupon or principal payments of U.S. long-term Treasury securities be reported?**

**A.** These certificates or receipts should be reported as purchases and sales by foreigners of U.S. Treasury and Federal Financing Bank Bonds and Notes, columns 1 and 2, as appropriate.

**Q. How should purchases and sales by foreigners of American Depository Receipts (ADRs) be reported on Form S?**

**A.** ADRs are certificates that represent a specific number of shares in a foreign entity. The purchases and sales of ADRs should be reported in column 11 (Purchases of Foreign Stocks) and column 12 (Sales of Foreign Stock), respectively. Similarly, purchases and sales by foreigners of Global Depository Receipts (GDRs) are to be reported in column 11 or column 12, as appropriate.

**Q. Are transactions (purchases and sales) with foreigners in options and warrants reported on Form S?**

**A.** Purchases and sales by foreigners of options and warrants are reportable only if the underlying security is a long-term security. The premium received/paid for options and warrants should be reported and not the notional value of the underlying security. Options and warrants brought and sold by foreigners should be reported in columns 5 and 6 or columns 9 or 10, as appropriate.

**Q. How should options and warrants be reported?**

**A.** Options and warrants are treated as separate securities from the underlying security. The location of the issuer (U.S. or foreign) of the options and warrants determines the reporting not the location of the issuer of the underlying security. If the options/warrants are exercised, report the sale by a foreigner of the option or warrant in column 6 or 10 and the purchase of the underlying long-term security in column 5, 7, 9 or 11, as appropriate.

**Q. If a trade of long-term securities is executed in a foreign country but settlement is done in the U.S., is this a reportable Form S transaction?**

**A.** Yes. Securities should be reported against the counterparty of the purchase/sale regardless of where settlement takes place.

**Q. What value should be used to report long-term securities?**

**A.** All securities should be reported at cost regardless of any discounts or premiums.

**Q. Who should report the redemption of domestic corporate securities by foreigners?**

**A.** The redemptions of domestic corporate securities by foreigners should be reported by the U.S. paying agent as a sale of corporate bonds by foreigners (column 6).

**Q. Where should the redemption of foreign bonds by U.S. residents be reported?**

**A.** The redemptions of foreign bonds by U.S. residents should be reported by the U. S. paying agent as a purchase of foreign bonds (column 9).

## EXCLUSIONS FROM REPORTING

- Q.** Should custodians report the holdings of long-term securities held for customers on Form S?
- A.** No. Custodians are not the intermediaries responsible for the actual purchase or sale of the long-term securities for the account of the foreigner. Only U.S. intermediaries (e.g., broker, dealer) that received the direct order from the foreigner to buy or sell the long-term securities should report those transactions on Form S.
- Q.** Should securities that have been pledged for financing transactions (repurchase and reverse repurchase agreements) be reported on Form S?
- A.** No. These transactions do not constitute a purchase or sale. The funds lent in the financing transaction should be reported on the TIC B or TIC CQ-1 reports.
- Q.** Should income from securities be reported on Form S?
- A.** The receipt of income from securities such as interest and cash or stock dividends, and stock distributed to

holders of records under stock-split arrangements should be excluded from Form S.

#### **OTHER ACCOUNTING RULES**

**Q. Should outstanding balances be reported on Form S?**

**A.** No. Form S includes only purchases and sales of long-term securities.

**Q. How are figures to be rounded?**

**A.** The amounts reported in any cell must be rounded to the nearest million dollars. Amounts of less than \$500 thousand should be rounded to zero. Amounts that are \$500 thousand but less than \$1 million should be rounded to \$1 million. Do not round figures until all data for each cell have been totaled.

#### **FILING**

**Q. Can filing extensions be granted?**

- A. Federal Reserve Bank staff will consider requests for late filings and will make a determination on a case by case basis.

**ALTERNATIVE METHODS OF REPORTING**

- Q. Are faxed reports an acceptable method for submitting Form S data?

- A. Yes.

**LOCATION OF PURCHASER OR SELLER**

- Q. How should an official international or regional organization (World Bank) or a philanthropic organization (United Nations) located in the United States but created by a treaty between sovereign states or with a membership of organizations from more than one country countries be classified?

- A. These entity types would be classified as foreigners. Reportable Form S transactions should be reported opposite the appropriate International and Regional organization (e.g., International, European Regional, Latin American Regional).

## REPORTING OF NEW ISSUES

**Q.** Should initial offerings of foreign securities sold only to foreigners be reported by the underwriters?

**A.** No. However, any portion of the initial offering that is unsold and retained by domestic members of the underwriting group is reported by the members as sales by foreigners of foreign securities (column 10 or column 12). Subsequent sales of these securities to foreigners are reportable as purchases by foreigners of foreign securities (column 9 or column 11).

**Q.** Who should report the sale of long-term securities issued under Shelf Registration provisions (SEC Rule 415)?

**A.** Any domestic issuer of long-term securities that sells directly to foreigners should file Form S to report the purchases by foreigners including the purchases acquired under Shelf Registration.

## REVIEW OF DATA AND REQUEST FOR REVISED DATA

**Q.** How should revised data be submitted?

**A.** Revised data should be submitted on a report form with the word 'Revised' indicated or on the reporter's letterhead with the report cycle date, name of country to be revised, and revised amount. All revisions should be signed by an authorized person of your institution. For electronic filers, an International Reports Division analyst should be contacted before revised data are transmitted.

#### **EXCHANGE OF LONG-TERM SECURITIES**

**Q.** How should the exchange by a foreigner of long-term securities for short-term securities be reported? How should the exchange by a foreigner of short-term securities for long-term securities be reported?

**A.** In the exchange of long-term securities for short-term securities, the long-term securities should be reported on Form S as a sale by a foreigner (column 6 or column 10). Conversely, in the exchange by a foreigner of short-term securities for long-term securities, the long-term securities should be reported on Form S as a purchase by a foreigner (column 5 or column 9). U.S. dollar denominated short-

term securities held for the account of foreigners should be reported by the U.S. custodian on TIC BL-2.

**Q. How should the conversion by a foreigner of long term U.S. or foreign debt securities into U.S. equity be reported?**

**A.** The conversion by the foreigner of long-term U.S. debt securities into U.S. equity should be reported as a sale of domestic bonds (column 6) and a purchase of domestic stock (column 7). A foreigner's conversion of long-term foreign debt to U.S. equity should be reported as a sale of foreign bonds (column 10) and purchase of domestic stock (column 7).

**Q. How should the conversion of long-term foreign debt into foreign stock be reported?**

**A.** The reporter should show the conversion of long-term foreign debt into foreign stock as a purchase by a foreigner of foreign debt (column 9) and a sale by a foreigner of foreign stock (column 12).