

TFC-1, -2 and -3 BACKGROUND

The Treasury Foreign Currency reporting system was established by an amendment to the Par Value Modification Act. It was signed into law (Title II of Public Law 93-110) on September 21, 1973. The amendment was prompted by the international monetary problems of the early 1970's that led to the end of the Bretton Woods system of fixed exchange rates. The amendment directed the Secretary of the Treasury to establish a new reporting system to provide information on the activities of major U.S. enterprises that affect the value of the dollar.

The reports collect data for assessing and monitoring the foreign exchange spot, forward, futures, and options markets. Users of this information include the Federal Reserve Board, the U.S. Department of the Treasury, and the Market Group of the Federal Reserve Bank of New York (FRBNY).

The TFC series is comprised of three reports. They are:

1. the Weekly Consolidated Foreign Currency Report of Major Market Participants (TFC-1),
2. the Monthly Consolidated Foreign Currency Report of Major Market Participants (TFC-2), and
3. the Quarterly Consolidated Foreign Currency Report (TFC-3).

The Weekly collects a limited amount of data with a small time lag from major market participants. The Monthly collects more detailed information from these same reporters. The Quarterly collects information from smaller, but still significant market participants.

Reporters are foreign exchange market participants who have certain levels of foreign exchange contracts on their books on the last business day of any calendar quarter during the previous year (end of March, June, September, or December), calculated using then prevailing exchange rates. TFC-1 and TFC-2 reporters are those market participants who had more than \$50 billion equivalent in foreign exchange contracts. TFC-3 reporters are those market participants who had more than \$5 billion equivalent but less than or equal to \$50 billion equivalent in foreign exchange. See the instructions for each report for further details on how contracts are counted toward the exemption levels. Reporters may include bank holding companies, commercial banks, branches and agencies of foreign banks located in the United States, commercial and nonprofit institutions, brokers, dealers, mutual fund, foreign exchange, and hedge fund managers.