

# THE FEDERAL RESERVE BANK OF NEW YORK STATISTICS FUNCTION

## Key Issues for Reporters

### Report of U.S. Ownership of Foreign Securities, Including Selected Money Market Instruments (SHCA)

#### Securities to Be Included

- Report all securities issued by foreign-resident entities and held by U.S. residents, including foreign securities issued or traded in the United States (foreign securities include securities issued by residents of Canada, Mexico, and offshore centers). These include equity securities, short-term and long-term debt securities, and selected money market instruments.
- Securities issued by companies that have headquarters in the U.S and do business primarily in the U.S. but are incorporated outside the U.S., including those issued by formerly U.S.-resident companies that have re-incorporated outside of the U.S. **ARE** reportable. Examples include Wheeler, Global Crossing, GlobalSantaFe Corp, Helen of Troy, Ingersoll-Rand, McDermott International, Nabors Industries, Schlumberger, Transocean Sedco Forex, Tyco International Ltd., and White Mountain Insurance Group.
- Securities issued by foreign-resident subsidiaries or offices of U.S.-resident entities (e.g. negotiable certificates of deposit issued by non-U.S. branches of U.S. banks), securities entrusted to U.S.-resident or foreign-resident central securities depositories (e.g. depository trust company (DTC), and securities entrusted to foreign-resident custodians, including foreign offices of U.S.-resident custodians
- Report all securities issued by international and regional organizations even if these institutions have their headquarters facility inside the United States, such as the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), and the International Monetary Fund (IMF).
- Report Depositary Receipts (DRs) held by U.S. residents, including ADRs, ADSs, GDRs, and IDRs, which serve as proxies for foreign securities. The actual foreign shares held in trust by the DR issuer should not be reported by the DR issuer, as this would lead to double counting.
- U.S.-resident custodians must report all U.S.-held foreign securities entrusted to central securities depositories (e.g., Depository Trust Company (DTC), Euroclear, and Clearstream).

#### Reporting Equity

- When reporting Limited Partnerships, the number of shares should be equivalent to the market value.
- Ownership interests representing direct investment are not reportable. Direct investment is defined as ownership or control of 10% or more of an organization's voting stock.
- Rights and warrants are not reportable.

### **Reporting Debt**

- Term of debt security should be calculated on original term at issue, rather than remaining time to maturity
- Debt securities issued or quoted in units should calculate face value or remaining principal outstanding by multiplying the face value of each unit times the number of units held, or remaining face value of each unit times the number of units held. For original face value of ABS, multiply the original face value of each unit times the number of units held.

### **Reporting Asset Backed Securities**

- Please ensure that asset backed securities (including MBS) are reported appropriately and not as other types of long-term debt. If misreported, the price for ABS will calculate from the wrong field.
- Do not report the following as asset-backed securities:
  - Asset-backed commercial paper (report as commercial paper)
  - Securities backed by a sinking fund (Sinking fund securities are reportable but should be classified as short-term or long-term debt).

### **Securities to Be Excluded**

- All securities (other than DRs) issued by U.S.-resident entities, including U.S. subsidiaries and U.S. branches of foreign organizations, even if the securities are traded outside of the United States.
- All loans, non-negotiable CDs, and derivative contracts.

### **U.S. Holders**

- U.S. holders are all U.S. residents, companies incorporated in the United States, including U.S. branches and U.S. affiliates of foreign entities. (IRS form W-9 can be used to help determine U.S. resident status.)
- U.S. residents include entities incorporated in U.S. territories and possessions and Puerto Rico.

### **Identifying Securities**

- Whenever possible, report securities using the ISIN or CUSIP code. If these are unavailable, then use an appropriate SEDOL, CINS, Common, or other exchange-assigned code. Use an internal code only if no other code exists for the security.
  - Security IDs should not include special characters
- Leading zeroes or check digits are not included in security ID

### **Valuing Securities**

- Report data in U.S. dollars (except for Schedule 2, lines 14, 18, 20, and 21, where the currency of denomination should be reported).
- To calculate the U.S. dollar market value, convert foreign currency denominated securities using the spot exchange rates as of the close of business on the last business day of December.
- Report the 'fair (market) value' as of the close of business on the last business day of December exclusive of accrued interest.

### **Distinguishing Long-Term Debt from Short-Term Debt by Original Maturity**

- Securities with original maturities of one year or less are short-term.
- Debt with multiple maturity dates is long-term if any maturity date is more than one year

- from the date of issue.
- Perpetual debt is classified as long-term.

### **Securities Involved in Repurchase and Securities Lending Arrangements**

- The U.S.-resident security lender should report the foreign security as if no repurchase agreement or security lending arrangement occurred (i.e. a US lender should include the lent security in the lender's holdings of foreign securities).
- The U.S.-resident security borrower and its custodian(s) should not report the foreign security.

### **Examples of Common Reporting Errors**

- Reporting securities with an amount held equal to zero.
- Reporting inaccurate security types (schedule 2, line 7).
- Excessive reporting of "Defunct Country" (code 88862). "Defunct country" should be used only if the country no longer exists. Changes in government or the name of a country should not affect the reported country code. If a geographic or other change results in a new country code, the new code should be used.
- Reporting securities that have matured prior to the as-of date. These securities should be excluded from the report even if the securities have not been paid out.
- For asset-backed securities (ABS), using incorrect factor values to report the remaining principal outstanding in currency of denomination (schedule 2, line 21). The remaining principal outstanding in currency of denomination should be calculated by multiplying the original face value in currency of denomination (schedule 2, line 20) by the factor value as of 12/31/2014. If the factor value as of 12/31/2014 is not available, use the factor value closest to December 31, 2014.
  - For example, if the original face value in currency of denomination is 100,000 and the factor value as of 12/31/2014 is 0.9, then the remaining principal outstanding is 90,000.
- Remaining principal outstanding in currency of denomination= (Original face value in currency of denomination)(Factor value)  
 $90,000 = (100,000) * (0.9)$
- Do not default to the currency of the country of issuer—many securities are issued in separate currencies
- Security is reported as being denominated in a foreign currency, but foreign currency market value is reported in dollars

### **Frequently excluded securities:**

- Restricted securities
- Securities in custodians' own portfolios
- Securities held in trading accounts
- Depositary receipts, if the underlying security is foreign
- Matured securities that are outstanding

### **Mistakenly Included Securities:**

- Foreign securities underlying depositary receipts
- Securities issued by U.S. subsidiaries/ U.S. offices of foreign-resident entities, even if traded outside of the U.S.
- All general partnership interests and similar controlling interests which constitute direct investment
- All loans, derivatives and non-negotiable CDs

### **How the FRBNY Calculates Prices**

Note: Use the calculations listed below to determine whether prices appear reasonable.

- An implicit price for non-ABS debt securities can be calculated by dividing the Fair (Market) Value in Currency of Denomination by the Face Value in Currency of Denomination.

For example, if the Fair (Market) Value in Currency of Denomination is 110,000 and the Face Value in Currency of Denomination is 100,000, then the implicit price is 1.1.

Implicit Price = Fair (Market) Value in Currency of Denomination / Face Value in Currency of Denomination = 110,000 / 100,000 = 1.1

If your data display a pattern of implicit prices that differ greatly from one and the prices cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities, etc.) there may be a problem in your calculation software.

- An implicit price for ABS can be calculated by dividing the Fair (Market) Value in Currency of Denomination (schedule 2, line 14b) by the Remaining Principal Outstanding in Currency of Denomination (schedule 2, line 21).

For example, if the Fair (Market) Value in Currency of Denomination is 210,000 and the Remaining Principal Outstanding in Currency of Denomination is 230,000, then the implicit price is 0.913.

Implicit Price = Fair (Market) Value in Currency of Denomination / Remaining Principal Outstanding in Currency of Denomination = 210,000 / 230,000 = 0.913

If your data display a pattern of implicit prices that differ greatly from one and the prices cannot be explained by usual factors (e.g., distressed securities, convertible securities, zero-coupon securities, etc.) there may be a problem in your calculation software.

- An implicit price for equity can be calculated by dividing the Fair (Market) Value by the number of shares.
- If a large number of securities are reported with a market value of zero, the institution should proactively communicate with FRB to explain reasoning behind zero market value securities; a large number of securities with zero price or market value may require revisions
- Fair market values should exclude accrued interest on securities

### **Hedge Fund Reporting:**

Investment advisors, managers or similar types of legal entities that create master-feeder funds both outside and inside the U.S. should report investments between the U.S. and foreign-resident affiliate funds that the investment manager sets up. Please see the instructions for more detail.

The U.S. Investment Manager should file all reportable investments if the investments are not held by a U.S. resident custodian and if the Investment Manager knows the identities of its foreign clients.