

TIC Form SHC Deadline Approaching to Report U.S. Ownership of Foreign Securities

January 25, 2017

Form Deadline Is March 3, 2017

Introduction

The U.S. Department of the Treasury recently released a revised Form SHC (with corresponding instructions), which is part of the Treasury International Capital (TIC) data reporting system. Form SHC is the mandatory five-year benchmark survey of the ownership of foreign securities (including selected money market instruments) by U.S. residents. The report is due to the Federal Reserve Board of NY (the FRBNY) by **March 3, 2017** for data reportable as of December 31, 2016. U.S. persons who meet the reporting thresholds are required to file Form SHC **even if they have not otherwise been contacted by the FRBNY.**

Who Must Report

Form SHC must be filed by all U.S. persons (including U.S. person affiliates of foreign entities) who are:

- (i) *U.S.-resident end-investors* who invest for their own portfolios (such as pension plans, foundation, endowments and other institutional investors) and/or invest on behalf of others (such as investment managers and fund sponsors) at least \$200 million of reportable foreign securities as of the close of business on December 31, 2016;
- (ii) *U.S.-resident custodians* who hold in safekeeping at least \$200 million of reportable foreign securities for U.S. persons as of the close of business on December 31, 2016; or
- (iii) *U.S.-resident end-investors and custodians* who receive a letter from the FRBNY requiring them to report, even if the recipient of the letter does not meet the \$200 million reporting threshold. The FRBNY has recently begun sending such letters to certain U.S. persons who are required to report on Form SHC.

In general, reportable securities include foreign equity securities, short-term debt securities (including selected money market instruments), long-term debt securities and asset-backed securities. Equity interests or other securities issued by foreign-resident funds or similar investment vehicles (e.g., interests issued by a non-U.S. master fund to a U.S. feeder fund) qualify as reportable securities. Reportable foreign securities do not include, among other things, direct investments (ownership of 10% or more of the voting securities of an entity); derivatives; loans and loan participation certificates; bank deposits; foreign securities temporarily acquired under reverse repurchase, borrowing or lending arrangements; the underlying security of a depositary receipt; or any U.S. securities.

In the case of an organization, reports should be filed on a consolidated basis by the top U.S.-resident parent entity in the organization and should include all reportable securities held or managed by all U.S.-resident parts of the organization, including all U.S.-resident branches, offices and subsidiaries. Generally, a U.S.-resident investment adviser that is subject to the reporting obligation will be required to file one consolidated report covering the reportable securities for all U.S.-resident parts of its own organization and for all U.S.-resident funds that it manages or sponsors. Furthermore, a U.S.-resident fund managed by a foreign-resident investment adviser that meets the reporting threshold will be required to submit a report.

Information Required by Form SHC

Form SHC is comprised of three schedules:

- Schedule 1 requests identifying information from the U.S. reporter and a summary of Schedules 2 and 3 (if applicable). Schedule 1 must be filed by all U.S. reporters that (i) meet the reporting threshold or (ii) were contacted by the FRBNY to report on Form SHC.

Schedule 2 requests position-level data from a U.S. reporter on foreign securities for which (i) the U.S. reporter manages safekeeping for itself or its U.S.-resident clients or (ii) a U.S.-resident custodian does not otherwise manage the safekeeping (which includes, for the avoidance of doubt, foreign securities safe-kept directly at a foreign-resident sub-custodian or U.S.-resident or foreign-resident central securities depositories ("CSDs")). A U.S. reporter must file a separate Schedule 2 for each reportable security. A U.S. reporter is exempt from reporting on Schedule 2 if the total fair value of foreign securities reportable on Schedule 2 is less than \$200 million.

- Schedule 3 is used to report summary amounts for all foreign securities entrusted to an unaffiliated U.S.-resident custodian (excluding those entrusted to a U.S.-resident CSD). A U.S. reporter (including a U.S.-resident end-investor) must file a separate Schedule 3 for *each* U.S.-resident custodian with which the reporter has holdings of foreign securities that exceed \$200 million, aggregated over all accounts with such custodian.

Confidentiality

Completed reports may be submitted to the FRBNY on paper or electronically through the Federal Reserve Reporting Central System. The information collected on Form SHC reports may be used only for analytical and statistical purposes and to enforce the International Investment and Trade in Services Survey Act. The information may only be accessed by officials and employees (including consultants, contractors and their employees) designated to perform functions under such Act. Aggregate data obtained from reports on Form SHC will be publicly disclosed, but only in a manner that will not reveal information as reported by any individual respondent.

Additional information and guidance, including a copy of Form SHC and the Instructions, are available [here](#). If you have any questions about Form SHC or the reporting requirements, please contact your Proskauer attorney.