

**INSTRUCTIONS FOR PREPARING THE
TREASURY INTERNATIONAL CAPITAL (TIC) FORM D
REPORT**

**Report of Holdings of, and Transactions in,
Derivatives Contracts with Foreign Residents**

TIC D REPORT

**Part I: By Major Risk Category and Instrument
Type**

Part II: By Counterpart Country

TABLE OF CONTENTS

	<u>Page</u>
I. General Instructions	1
A. Organization of this Instruction Book	1
B. Purpose of the TIC D Form	2
• Purpose of the TIC D Form	
• Relationship to Other Statistical Reports	
C. Administrative Issues	3
• Authority	
• Penalties	
• Confidentiality	
• Reporting Burden	
• Requests for Revised Data	
D. Who Must Report	4
• Reportable Entities	
• Consolidation	
• Exemption Level	
E. Accounting Issues	4
F. Submission of Reports	5
• Where to Report	
• Due Dates	
• Signature Requirements	
• Reporter ID Number	
• Record Keeping Requirement	
II. What to Report	6
A. General Description of What is to be Reported	6
B. Reportable Derivatives	6
C. Specific Exclusions	7
D. Definition of a Foreign Resident	7
III. Column Instructions (Part I and Part II)	8
A. Column 1 - Gross Positive Fair Value of Derivatives with Non-U.S. Residents at End of Reporting Quarter	8
B. Column 2 - Gross Negative Fair Value of Derivatives with Non-U.S. Residents at End of Reporting Quarter	8
C. Column 3 - U.S. Net Settlements During the Quarter with Non-U.S. residents.....	8
D. Items to Exclude from the Calculation of Net Settlements.....	9

IV.	Specific Instructions for Part I	11
	A. Row Definitions for Rows 1-7.....	11
	B. Memorandum Row Definitions.....	13
V.	Specific Instructions for Part II	15
VI.	Glossary	17
VII.	Appendices	19
	A. Geographical Classification List	19
	B. Foreign Official Institutions List.....	20
	C. Examples	21
	D. Flowcharts of what to report.....	24

GLOSSARY TERMS

Commodity-linked Derivatives
Credit Derivatives
Equity-linked Derivatives
Foreign Official Institution
Foreign Resident
Forwards
Futures
Options
Swaps
United States
U.S. Resident

I. General Instructions

A. Organization of the Instruction Book

This instruction book covers the Treasury International Capital (TIC) Form “D” report. It is divided into the following sections:

1. Section I (General Instructions) – The general instructions describe the purpose of the TIC D Form and a variety of administrative matters, including the authority under which the data are collected and confidentiality conditions. The general instructions also describe general reporting matters such as the exemption level, who should report, and accounting issues. Finally, information on how to submit the report is provided.
2. Section II (What to Report) – In this section the types of reportable derivatives are described as well as the specific financial instruments and contracts that are excluded from the report. In addition, this section provides the definition of a foreign resident.
3. Sections III-V (Specific Instructions) – In these sections, the specific reporting requirements for the TIC D Form are given. The specific instructions describe the kinds of information that should be reported in each of the columns, rows, and memorandum rows of the form. To avoid excessive repetition, the instructions and definitions build upon the information in the general instructions, the glossary, and the appendices.
4. Section VI (Glossary) – The glossary presents definitions, discussions of accounting issues, and other topics that require more extensive treatment than is practical to include in the body of the instructions.
5. Section VII (Appendices) – The following appendices are provided:
 - A. Geographical Classification list – A list of the country and organizational codes for reporting on the form
 - B. Foreign Official Institutions list – A list of certain foreign institutions classified as “official” for reporting on the form
 - C. Examples for reporting derivatives
 - D. Flowcharts of what to report

The forms and instructions are available on the U.S. Treasury’s web site:
<http://www.ustreas.gov/tic/forms.html>

B. Purpose of the TIC D Form

Purpose of the TIC D Form:

The purpose of the Treasury International Capital (TIC) D form is to gather timely and reliable information on the levels of, and changes in, U.S. international portfolio capital positions due to cross-border holdings of derivatives and on net settlement payments resulting from transactions in derivatives. This information is needed for the preparation of the U. S. Balance of Payments Accounts, the U. S. International Investment Position, and the formulation of U. S. international financial and monetary policies. Aggregate data will be made available in the Treasury Bulletin and on the Bulletin's web site <http://fms.treas.gov/bulletin>.

Relationship to Other Statistical Reports

The TIC D Report is the only major statistical report that collects cross-border data on derivatives on the basis of location.

- 1) The FR 2436 report is filed by major U.S.-resident dealers in the global over-the-counter financial derivatives market. On the FR 2436, entities report on a consolidated basis all positions in over-the-counter (OTC) financial derivatives markets by major risk category, type of instrument, and currency.
- 2) The FR Y-9C report is filed by all U.S. bank holding companies. These entities file a consolidated statement of condition and income, including the notional and fair value of derivatives with U.S. and non-U.S. residents.
- 3) The Country Exposure report (FFIEC 009) collects data on a consolidated basis on the distribution of the foreign claims, by country, held by U.S. banks and bank holding companies, including the outstanding claims on foreigners, by country, that represent the fair value of derivatives contracts.
- 4) The Treasury Foreign Currency report (TFC) collects consolidated data on foreign exchange contracts (including spot, forward, and futures contracts) and positions by major U.S. resident participants.
- 5) The FR 3036 report collects data on the volume of transactions (turnover) with U.S. and foreign customers in the foreign exchange cash market, the foreign exchange derivatives market, and the interest rate derivatives markets by financial institutions that serve as intermediaries in the wholesale foreign exchange and derivatives markets. In addition, the report collects consolidated data on outstanding contracts in the derivatives markets for foreign exchange, interest rates, equities, and commodities by major U.S.-resident market participants in the derivatives markets.

C. Administrative Issues

Authority

This report is required by law (22 U.S.C. 286f; 22 U.S.C. 3103; E.O. 10033; 31 C.F.R. 128.1(a)).

This form has been reviewed and approved by OMB under the following OMB control number: 1505-0199

Penalties

Failure to report can result in a civil penalty of not less than \$2,500 and not more than \$25,000. Willful failure to report can result in criminal prosecution and upon conviction a fine of not more than \$10,000 and, if an individual, imprisonment of not more than one year, or both. Any officer, director, employee or agent who knowingly participates in such violation may, upon conviction, be punished by a like fine, imprisonment, or both (22 U.S.C. 3105 (a) and (b); 31 C.F.R. 128.4 (a) and (b)).

Confidentiality

Data reported on this form will be held in confidence by the Department of the Treasury, the Board of Governors of the Federal Reserve System, and the Federal Reserve Bank of New York acting as fiscal agent for the Department. The data reported by individual respondents will not be published or otherwise publicly disclosed; information may be given to other Federal agencies, insofar as authorized by applicable law (44 U.S.C. 3501 et seq.; 22 U.S.C. 3101 et seq.). Aggregate data derived from reports on this form may be published or otherwise disclosed only in a manner that does not specifically identify any individual respondent.

Reporting Burden

The Treasury Department has estimated the average burden associated with the collection of information for TIC D Form is 30 hours per respondent per filing. This estimate includes the time required to read the instructions, gather the necessary facts and fill out the forms. Comments concerning the accuracy of these burden estimates and suggestions for reducing reporting burden should be directed to the Office of International Affairs, U.S. Treasury Department, Washington, D.C. 20220, Attention: International Portfolio Investment Data Systems; or the Office of Management and Budget, Paperwork Reduction Project, Washington, D.C. 20503. (Please reference the appropriate OMB control number listed above under Authority.)

Requests for Revised Data

Federal Reserve System staff review data submitted on the TIC D Form. During the course of their review and editing procedures, Reserve Bank staff may ask reporters to explain unusual changes or submit revisions, as necessary. Since these data are extremely time-sensitive, reporters should respond as quickly as possible to these requests.

D. Who Must Report

Reportable Entities

All entities located in the United States that have derivatives contracts that exceed the exemption level described below should complete all parts of the TIC D Form.

Consolidation

Reporters should consolidate only their U.S. resident subsidiaries on the same basis as annual reports submitted to the SEC or on the same basis as described in generally accepted accounting principles (GAAP). For tiered entities, only the top-tier company should file the TIC D Form. However, foreign banking organizations that establish more than one legal entity in the U.S. (e.g., a holding company and a branch) should report for each top tier U.S. entity.

Exemption Level

The TIC D Form must be submitted if the total notional value of worldwide holdings of derivatives (including contracts with U.S. and foreign residents, measured on a consolidated-worldwide accounting basis) for the reporter's own account and the accounts of the reporter's customers exceeds \$100 billion at the end of the calendar quarter being reported. Once the exemption level is exceeded, the reporter should submit TIC D Form for that calendar quarter and for remaining calendar quarters in the same calendar year. In determining if U.S. branches and agencies of foreign banks exceed the exemption level, the notional value of derivatives contracts (with related and non-related parties, and with U.S. and non-U.S. counterparties) held on the books of only U.S. offices should be included.

E. Accounting Issues

The holdings of derivatives as defined by FASB Statement Number 133, as amended, should be reported at fair (market) value. Fair value is generally defined as the amount for which a derivative contract could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for a contract, calculate the fair value as the number of trading units of the contract multiplied by the market price. If a quoted market price is not available, report the institution's best estimate of fair value based on the quoted market price of a similar contract or on valuation techniques such as discounted cash flows. (See FASB Statement No. 133, Appendix F, paragraph 540 for additional information about estimating fair (market) value.) Do not report notional amounts.

Do not combine, aggregate, or net the reported fair value of a contract with the fair value of other derivatives. However, to reduce reporting burden, reporters may net contracts if all of the following conditions are met: (1) contracts are with the same counterparty; (2) there is a Master Netting Agreement in force; and (3) contracts are carried at net values in the reporting entity's accounting records and statements of financial position in accordance with FASB Interpretation No. 39.

Positions reported should be the balances outstanding at the “close of business” as of the last business day of the calendar quarter covered by the report. The time designated as the close of business should be reasonable and applied consistently.

Amounts should be reported in millions of U.S. dollars. Do not enter decimals. For foreign currency-denominated transactions, report the U.S. dollar equivalent of the foreign currency amounts, converted by using the spot exchange rate on the as-of date of the report.

F. Submission of Reports

Where to Report

TIC D reports should be filed with the Federal Reserve Bank of New York. Paper reports should be mailed or faxed to: International Reports Division, Federal Reserve Bank of New York, 33 Liberty Street, Fourth Floor, New York, New York 10045. Fax: (212) 720-1964.

Data may be submitted through the Worldwide Web. Internet Electronic Submission (IESUB) is fast, easy to use, and secure. Reports can be submitted quickly and easily either using online data entry or spreadsheet file transfer. (Spreadsheet file transfer allows reporters to use machine-generated data.) IESUB provides a confirmation of data receipt at the Federal Reserve Bank of New York and checks the validity of your submission. IESUB saves time and delivery costs, avoids possible mail delays, and eliminates paper and fax transmissions. For more information on IESUB, log on to <http://www.reportingandreserves.org/iesub.html> or call the Federal Reserve Bank of New York.

Data may also be reported on computer printouts in the same format as the printed reports. The Federal Reserve Bank of New York must approve proposed computer printouts in advance of the first submission.

Due Dates

Form D reports should be submitted not later than 60 calendar days following the as-of date, which is the last business day of the calendar quarter being reported.

Signature Requirements

The cover page of the TIC D Form - (which can be printed from the TIC web site at <http://www.ustreas.gov/tic/forms.html>) must be signed by a duly authorized officer of the reporting institution. For electronic filers, the reporter should retain the signature page.

Reporter ID Number

The Federal Reserve System has assigned each reporting entity an "RSSD ID" number. To ensure proper processing, this ID must be entered in the space provided on the form. If you do not know your RSSD ID number, please call the Federal Reserve Bank of New York at (212) 720-8037.

Record Keeping Requirement

Reports must be retained for 3 years from the date of submission.

II. What to Report

A. General Description of What is to be Reported

The purpose of this data collection effort is to measure the fair (market) value of cross-border holdings of derivatives contracts and the net settlement payments that arise from these contracts. Cross-border positions are:

1. Positions of the U.S.-resident parts of your organization or of your U.S.-resident customers with foreign residents, including foreign exchanges.
2. Positions of U.S. exchanges when you serve as a broker on behalf of foreign residents (including foreign resident parts of your organization). All positions and net settlements should be reported from the perspective of the U.S. exchange. Thus, positions of your foreign customers on U.S. exchanges should be reported from the perspective of the U.S. exchange and not your foreign customer.

B. Reportable Derivatives

Derivatives contracts are reportable only if the contracts meet the FASB Statement No. 133 (FAS 133) definition of a derivative contract. FAS 133 defines a derivative as a financial instrument or other contract having all three of the following characteristics:

1. It has one or more underlying (i.e., specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable) and one or more notional amounts (i.e., number of currency units, shares, bushels, pounds, or other units specified in the contract) or payment provisions or both. These terms determine the amount of the settlement and in some cases, whether or not a settlement is required;
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors; and
3. Its terms require or permit net settlement (see glossary), it can be readily 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. Reportable derivatives include, but are not limited to:
 1. Forward rate agreements
 2. Forward foreign exchange agreements
 3. Forward commodity contracts
 4. Interest rate futures
 5. Equity index futures
 6. Currency futures
 7. Commodity futures
 8. Securities futures
 9. Written and purchased options
 10. Interest rate swaps
 11. Credit derivatives
 12. Options and Warrants on securities that meet FAS 133 definition

C. Specific Exclusions

1. Spot foreign exchange contracts
2. Short sales of assets
3. "Regular-way" securities trades, which are trades that are completed within the time period generally established by regulations and conventions in the market place or by the exchange on which the trade is executed
4. Normal purchases and sales of an item other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business.
5. Traditional life insurance and property and casualty contracts
6. Financial guarantees that do not meet the definition of a derivative as defined in FAS 133.

D. Definition of a Foreign Resident

A foreign resident is any individual, corporation, or other entity located outside the United States. A corporation incorporated outside the United States is a foreign resident even if it has no physical presence outside the United States. (See Glossary for more information.)

III. Column Instructions (Part I and Part II)

A. Column 1 - Gross Positive Fair Value of Derivatives with Foreign Residents at End of Reporting Quarter

Report the aggregate fair (market) value of all outstanding derivatives contracts between U.S. residents and foreign-resident counterparties with a positive fair (market) value.

B. Column 2 - Gross Negative Fair Value of Derivatives with Foreign Residents at end of Reporting Quarter

Report the gross negative fair (market) value of all outstanding derivatives contracts between U.S. residents and foreign-resident counterparties with a negative fair (market) value. Amounts should be reported as an absolute number; no negative entries should be made.

C. Column 3 - U.S. Net Settlements during the Quarter with Foreign Residents

Report all cash receipts and payments made during the quarter for the acquisition, sale, or final closeout of derivatives, including all settlement payments under the terms of derivatives contracts. Net Settlements refer to the netting of individual contract flows and not to the netting of like contracts (e.g., FIN 39 netting).

In calculating Net Settlements, U.S. receipts of cash from foreign persons should be treated as a positive amount (+), and U.S. payments of cash to foreign persons should be treated as a negative amount (-). A net settlement cash receipt or payment occurs only when cash is received/paid for the purchase or sale of a derivative or a settlement payment (such as the periodic settlement under a swap agreement or the daily settlement of an exchange-traded contract) is received or paid.

Listed below are instructions for the reporting of net settlements by contract type.

Forwards:

Report cash received or paid upon maturity or settlement of forward agreements (including foreign exchange contracts). Do not report the amount received or paid upon settlement of a forward with a security or other non-cash asset.

Futures:

Report the cumulative periodic (usually daily) payment or receipt from an exchange as a result of the change in value of the futures contracts. Also include the final cash settlement of futures contracts.

Options:

Report premiums paid or received on options. For exercised options where settlement is only in cash, report the net payment of cash upon exercise. (See **Items to exclude from the calculation of Net Settlements** below, for a discussion of options where, upon exercise, ownership of a security, commodity, or other non-cash assets is transferred.)

Swaps:

Report the net amount of cash received or paid upon maturity or termination of a swap and any periodic net cash settlement payments under the terms of a swap.

Credit Derivatives:

Report all payments, including any periodic payment(s) made or received by the reporting entity after a credit event (such as a lower credit rating, a default, or change in another measure of creditworthiness).

D. Items to Exclude from the Calculation of Net Settlements:

Changes in value with no payments: Do not report changes in the value of derivatives due to changes in interest rates or market prices. The change in value should be excluded from the calculation of Net Settlements, because no cash was received or paid.

Commissions and Fees: Explicit commissions and fees should be excluded from the report, unless the amount is immaterial. (Commissions and fees are regarded as transactions in financial services rather than as transactions in derivatives.)

Collateral: Receipts and payments of margin or collateral (whether or not in the form of cash) should be excluded from Net Settlements and not reported on this form. If you cannot exclude these from your report, please contact the Federal Reserve Bank of New York.

Purchases of Commodities, Securities, or Other Assets:**Forwards:**

Do not report the amount received or paid upon settlement of a forward involving, security or other non-cash asset.

Futures:

Do not report the value of futures that proceed to final delivery of the underlying asset, except in the case where the final delivery involves only the receipt, payment, or exchange of cash (i.e., no commodity or security exchanged).

Options:

Do not report the exercise of an option where securities, commodities, and assets other than cash are purchased or sold. The purchase or sale of a security or commodity whether or not under the terms of an option contract is treated as the purchase or sale of that security or commodity, and not as a transaction in a derivative. (The purchase/sale by foreigners of a long-term security under the terms of an option should be reported on monthly TIC Form S.)

Swaps:

Do not report transactions in swaps **if** the ownership of a security, commodity, or other noncash item changes hands. However, include any premiums actually paid or received on swaps contracts (e.g., Credit Default Swaps).

IV. Specific Instructions for Part I

A. Row Definitions for Rows 1-7

Reportable derivatives (see Section II. "What to Report" for further information) with foreign resident counterparties should be reported by instrument and predominant risk type as determined by the reporting institution (using the guidelines below):

Over-the-counter Contracts

Report all derivatives contracts in rows 1, 2 and 3 that are not traded on organized exchanges.

Single-currency Interest Rate Contracts (Row 1)

Report all derivatives contracts with foreign-resident counterparties whose predominant risk is from cash flows that are determined by referencing interest rates, but do not involve the exchange of currencies, (e.g., cross-currency swaps and currency options) commodity, credit, or equity risk. Single-currency interest rate contracts include single currency interest rate swaps, basis swaps, and forward rate agreements.

Contracts whose predominant risk characteristic is foreign currency risk are to be reported in Row 2 as foreign exchange contracts. Contracts whose predominant risk characteristic is commodity, equity, or credit risk are to be reported in Row 3 as other contracts.

a) Forwards (Row 1.a)

Report contracts with foreign-resident counterparties that represent agreements for delayed 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.

b) Swaps (Row 1.b)

Report contracts with foreign-resident counterparties 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.

c) Options (Row 1.c)

Report contracts with foreign-resident counterparties that convey either a right or an obligation, to buy or sell a financial instrument at a specified price by a specified future date.

Foreign Exchange Contracts (Row 2)

Report all derivatives contracts with foreign-resident counterparties whose predominant risk is from the purchase and sale of two or more currencies in the forward market by type of instrument. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal and forward foreign exchange contracts (usually settling three or more business days from trade date). Exclude spot contracts. However, the amount reported in the Net Settlements column should be the aggregate amount of the actual cash settlements under the terms of the contracts. In the case where reporters reclassify a foreign exchange forward or another derivative contract as a spot contract, the

report should include net settlement that occurs for internal purposes, plus net settlement of the spot contract.

Exclude contracts whose predominant risk is interest rate risk, which are to be reported in Row 1, as single currency interest rate contracts, or whose predominant risk is commodity, equity, or credit risk, which are to be reported in Row 3 as other contracts.

a) Forwards (Row 2.a)

Report contracts with foreign-resident counterparties that represent agreements for the delayed delivery of currency, which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date.

b) Swaps (Row 2.b)

Report contracts with foreign-resident counterparties in which two parties agree to exchange currencies based on a specified notional amount for a specified period. Forward starting swap contracts should be reported as swaps.

c) Options (Row 2.c)

Report contracts with foreign-resident counterparties that convey either a right or an obligation, to buy or sell a currency at a specified price by a specified future date.

Other Contracts (Row 3)

Report all derivatives contracts with foreign-resident counterparties other than single currency interest rate contracts (reported in Row 1), foreign exchange contracts (reported in Row 2), and exchange-traded contracts (reported in Rows 4-6). Include credit derivatives, equity-linked derivatives, and commodity-linked derivatives that are not traded on an organized exchange (see glossary for definitions).

Own Derivatives Contracts on Foreign Exchanges (Row 4)

Report the fair values and net settlements of all derivatives contracts, including options, that the reporting entity conducted with exchanges located outside the U.S. for its own account. Include all exchanges (e.g., security and electronic exchanges) where derivatives are traded.

U.S. Customers' Derivatives Contracts on Foreign Exchanges (Row 5)

Report the fair values and net settlements of all derivatives contracts, including options, of the reporter's U.S. resident customers (that is, contracts where the reporter is acting as broker for a U.S. resident) on exchanges located outside the United States. Include all exchanges (e.g., security and electronic exchanges) where derivatives are traded.

Foreign Counterparty Derivatives Contracts on U.S. Exchanges (Row 6)

Report the fair values and net settlements of all derivatives contracts, including options, of the reporting entity's non-U.S.-resident customers (that is, contracts where the reporter is acting as broker for a non-U.S.-resident) on all exchanges (e.g., security and electronic exchanges) located in the U.S.. (Include in this row all contracts traded on U.S. exchanges on behalf of the reporter's foreign affiliates, subsidiaries and branches.)

All foreign counterparty contracts should be reported from the perspective of the U.S. exchange. For example, a payment by the foreign customer to the exchange would be recorded as a receipt (+).

Grand Total (Row 7)

The amounts in Row 7 should be the sums of the amounts in rows 1 - 6

B. Memorandum Row Definitions

Contracts with Own Foreign Offices (Row M.1)

Report the fair value of all derivatives contracts included in the Grand Total (Row 7) that are with the reporter's own foreign offices (e.g., branches and subsidiaries), including any foreign parent and any non-U.S. branch. Depository institutions and bank holding companies owned by foreign banks should exclude contracts with affiliated banks and non-banking offices of the reporter's parent, even though these contracts are reported in rows 1-3. No net settlement data should be reported in this row.

Contracts with Foreign Official Institutions (Row M.2)

Report the fair value of all derivatives contracts and net settlements included in the Grand Total (Row 7) that are with Foreign Official Institutions. Foreign Official Institutions are:

- a. 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; and diplomatic and consular establishments and other departments and agencies of national governments.
- b. International and regional organizations.
- c. Banks, corporations, or other agencies (including development banks and other institutions that are majority-owned by central governments) that are fiscal agents of national governments and perform activities similar to those of a treasury, central bank, stabilization fund, or exchange control authority.

Note: The list of foreign institutions shown in Appendix B (Foreign Official Institutions List) includes the major Foreign Official Institutions which have come to the attention of the Federal Reserve Bank of New York (FRBNY) and the Department of the Treasury; it does not purport to be exhaustive. Whenever a question arises as to whether or not an institution should be classified as "official," please contact the FRBNY.

Contracts of U.S. Depository Institutions (Row M.3)

Report the fair values of all derivatives contracts of U.S. depository institutions with foreigners included in line 5. No net settlement data should be reported in this row. U.S. depository institutions include:

1. Commercial banks
2. United States branches and agencies of foreign banks
3. Trust companies that conduct commercial banking business

4. Industrial banks, private or unincorporated banks
5. Banking Edge Act and Agreement corporations
6. New York State Article XII corporations
7. Mutual or stock savings banks, building or savings and loan associations, cooperative banks, credit unions, homestead associations, and other similar depository institutions
8. Non-deposit and limited purpose trust companies
9. Non-bank banks

V. Specific Instructions for Part II

The gross fair (market) value and net settlement payments on derivatives in the Grand Total Row (Row 7) of Part I should be allocated to each row of Part II, based on the residence of the direct counterparty. (For column instructions please refer to Section III of these instructions).

Positions of foreign customers on U.S. exchanges should be reported opposite the country or geographical area in which the foreign counterparty resides. Do not report positions based on the currency of denomination of the contract, the country of the parent institution of the counterparty, or the country of a guarantor (i.e., ultimate risk). In the case of U.S. residents' futures contracts on foreign exchanges, report the country of the exchange as the country of the foreign counterparty.

Examples

1. A respondent has a derivative contract denominated in yen with a British company in Italy. The transaction should be reported opposite the location in which the direct counterparty resides (Italy), not the nationality of the counterparty (United Kingdom).
2. A respondent has a derivative contract with a Cayman Island branch of a U.S. bank. The transaction should be reported opposite the location in which the direct counterparty resides (Cayman Islands), not the location of that bank's head office (United States).
3. A respondent executes a futures contract for a U.S. customer on a futures exchange located in the U.K. The fair (market) value and net settlement of the contract should be reported opposite the location of the exchange (U.K.).

Exceptions

1. Positions with branches or agencies of Foreign Official Institutions should be reported opposite the country that owns the Foreign Official Institution. (A list of Foreign Official Institutions is located in Appendix B.)
2. Positions with international and multi-national regional organizations, whether located in the United States or elsewhere, should be reported opposite the classification "International", if worldwide, or opposite the classifications "European," "Latin American," "Caribbean," "Asian," "African," or "Middle Eastern" regional organizations, as appropriate. (A list of international and regional organizations is located at the end of Appendix A.)

Examples of some of the international and multi-national regional organizations, which are located in the United States, are:

<u>Organization</u>	<u>Reporting Classification</u>
The World Bank (consists of IBRD and IDA below)	International
International Bank for Reconstruction and Development (IBRD)	International
International Development Association (IDA)	International
International Finance Corporation (IFC)	International
International Monetary Fund (IMF)	International
Inter-American Development Bank (IAD)	Latin America
Organization of Central American States (OCAS)	Latin America
United Nations	International
World Health Organization	International

VI. Glossary

Commodity-linked derivatives - Contracts whose predominant risk is linked to the price of, or to a price index of, a commodity such as a precious metal (other than gold), petroleum, lumber or agricultural products.

Credit derivatives – Contracts in which the payout is linked primarily to some measure of the creditworthiness of one or more credits. Payouts can be triggered by a number of events, including a default, a rating downgrade or a stipulated change in the credit spread of the reference asset. Credit derivative instruments include credit-spread forwards and options, credit event or default swaps and total return swaps.

Equity-linked derivatives – Contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices.

Foreign Official Institutions (FOI) – FOI are:

- a. 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; and diplomatic and consular establishments and other departments and agencies of national governments.
- b. International and regional organizations.
- c. Banks, corporations, or other agencies (including development banks and other institutions that are majority-owned by central governments) that are fiscal agents of national governments and perform activities similar to those of a treasury, central bank, stabilization fund, or exchange control authority.

Foreign resident –Any individual, corporation, or other entity located outside the United States. 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:

1. 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.)
2. 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.
3. Any corporation or other organization located outside the United States, including the branches, subsidiaries, and other affiliates of U.S. entities located abroad.
4. 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.

Forwards - Contracts that represent agreements for delayed 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.

Futures - Contracts that represent agreements for delayed 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.

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.

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.

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.

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, Guam, Midway Island, the U.S. Virgin Islands, Wake Island, and U.S. Military Facilities.

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. Corporations incorporated in the United States are considered to be U.S. residents even if they have no physical presence in the United States.

APPENDIX A

G E O G R A P H I C A L C L A S S I F I C A T I O N

**TO BE USED FOR PURPOSES OF REPORTING ON
TREASURY INTERNATIONAL CAPITAL FORMS**

EXPLANATORY NOTE

The most recent version of this appendix is now a separate document. A copy is on the TIC website, next to these instructions, at: <http://www.treas.gov/tic/402fctry.pdf>

APPENDIX B
List of Foreign Official Institutions

The most recent version of this appendix is now a separate document. A copy is on the TIC website, next to these instructions, at <http://www.ustreas.gov/tic/foi504.pdf>.

Appendix C

EXAMPLES of Reporting Derivatives

Exchange-Traded Futures and Options

Example 1

A U.S. Futures Commission Merchant holds in U.S. customer accounts a total of 100 commodity futures contracts on foreign futures exchanges that are marked-to-market and cash settled daily. The sum of all daily cash settlements with the exchange during the current reporting period amounted to net U.S. receipts (i.e., a net U.S. gain on these accounts) of \$50 million. The \$50 million in cash settlements should be reported as positive value in U.S. Net Settlements.

Example 2

During the current reporting period, a U.S. resident purchases equity call options on a foreign exchange for a \$5 million premium. The options appreciate in value to \$12 million and are then exercised for the underlying equities during the current reporting period.

There should be no entry in any of the fair value columns because the options were closed out before the end of the current period. The cash premium payment should be reported as a negative \$5 million in U.S. Net Settlements, because it was a U.S. payment to foreigners. The increase in value of the options to \$12 million is not reported in U.S. Net Settlements because there was no cash settlement.

Forwards

Example 3

During the reporting period, a U.S. resident enters into a forward rate agreement (FRA) with a foreign resident. The reference interest rate is the current market rate, and there is no cash receipt or payment during the reporting period. The FRA is still open at the end of the reporting period and has a positive fair value of \$10 million.

The fair value of \$10 million at the end of the reporting period should be reported in the Gross Positive Fair Value column. No entry should appear in the U.S. Net Settlements column because no cash was paid or received.

Example 4

The value of an foreign exchange (FX) forward contract initiated in a prior reporting period shifts from a positive \$5 million to a negative \$5 million in the current reporting period and remains open. There is no cash settlement in the current period.

There should be \$5 million reported in the Gross Negative Fair Value column at the end of the current reporting period. No entry should appear in the U.S. Net Settlements column, because no transaction has occurred.

Example 5

Two commodity forward contracts (one on copper and one on oil) entered into by the U.S. reporter in an earlier reporting period are settled during the current reporting period.

The copper contract had a U.S. negative market value of \$15 million at the end of the preceding reporting period, and had a U.S. negative market value of \$20 million when it was cash settled. The fair value of the contract is not reported since it has been settled. The \$20 million payment should be reported as a negative value in U.S. Net Settlements, because it represents a cash payment to extinguish the forward contract

The oil contract had a U.S. positive market value of \$20 million at the end of the preceding reporting period, and the same value at the time it was settled via physical delivery of oil in lieu of cash. There should be no entry in the fair value columns, because the forward was closed during the current period. There should be no entry in U.S. Net Settlements, because a commodity, and not cash was exchanged.

OTC Options

Example 6

During the current period, a U.S. resident purchases an OTC interest rate option from a foreign resident for a premium of \$10 million. The fair value of the option increases to \$15 million and remains open.

The Gross Positive Fair Value column at the end of current reporting period should be \$15 million. The premium payment should be recorded in U.S. Net Settlements as a negative \$10 million.

Example 7

A U.S. resident owns OTC FX call options (to purchase British pounds) with a market value of \$5 million at the end of the previous period. The value of the options declined to zero and they expired during the current period.

There should be no entry in the fair value columns at the end of the current reporting period, because the options expired before the end of the current period. The FX call options should result in no entry in U.S. Net Settlements, because there was no cash settlement.

The U.S. resident also had previously written OTC FX put options with a foreign resident. The options had negative fair value of \$10 million at the end of the previous period. The put options declined in value to a negative fair value of \$15 million during the current period and were exercised by the foreign counterparty, who delivered Euros.

There should be no entry in the fair value columns at the end of the current period, because the options were exercised in the current period. The cash payment on exercise of the options during the current period should be reported as a negative \$15 million in U.S. Net Settlements, because the amount that the U.S. put option writer paid to the foreign counterparty for the Euros was \$15 million more than the current market value of the Euros received.

OTC Swaps

Example 8

A U.S. resident enters into an interest rate swap contract with a foreign resident. During the current period, the U.S. resident pays a net settlement amount of \$20 million. At the end of the current period, the swap has a gross positive fair value of \$20 million.

The Gross Positive Fair Value column at the end of the current period should be \$20 million. U.S. Net Settlements should show a negative \$20 million.

Example 9

During the current period, a U.S. resident entered into an FX swap stipulating that in two months he would provide a foreign resident with 10 billion yen in return for \$100 million at the forward exchange rate of \$1/100 yen. At maturity, the exchange rate was 110 yen per dollar.

There should be no entry in the fair value column at the end of the reporting period, because the swap contract expired. U.S. Net Settlements in the current period should show a positive \$9.1 million, representing the difference between the value of the 10 billion yen paid by the U.S. resident at the current exchange rates (equivalent to \$90.9 million) and the \$100 million received by the U.S. resident upon maturity of the swap.

Credit Derivatives

Example 10

During the prior period, a U.S. resident entered into a 2-year credit default swap contract with a \$100 million notional amount with foreign resident, to assume the risk of default on an outstanding loan held by the foreign resident in return for a quarterly fee of 50 basis points (\$500,000).

During the first period, the value of the swap decreased to a loss of \$6 million and the foreign resident paid the U.S. resident \$500,000. For that period there should be an entry of \$6 million in negative Fair Value column. In the Net Settlement column there should be an entry of \$500,000 to reflect the receipt by the U.S. resident of the quarterly payment.

During the second period, the loan went into default, no quarterly fee was received, and the U.S. resident compensated the foreign resident for the decline in the market value of the loan, or \$20 million (assuming an \$80 million recovery value). With this settlement payment, the swap contract terminated.

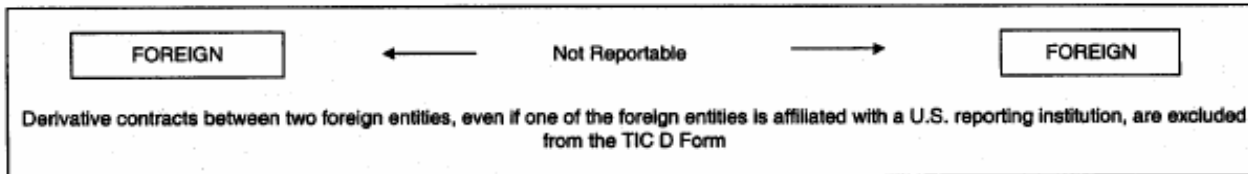
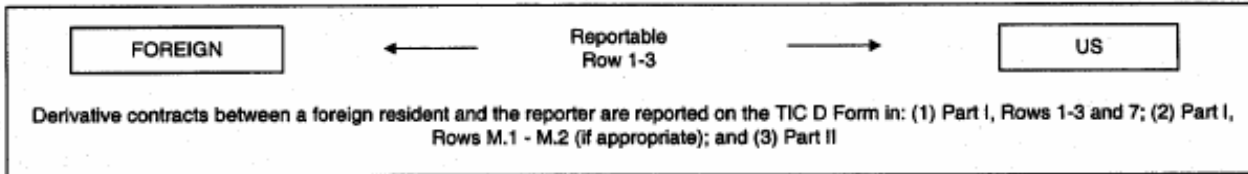
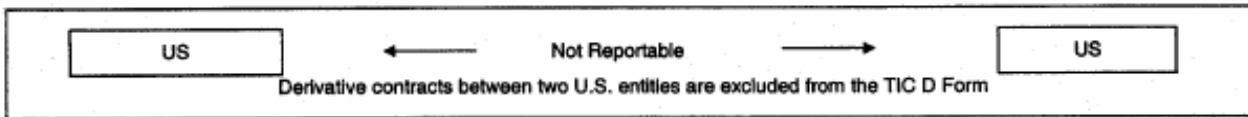
There should be no entry in the fair value columns for the end of the second period, because the swap terminated before the end of the period. The \$20 million cash payment should be recorded in U.S. Net Settlements as a negative amount.

Appendix D

OTC CONTRACTS

COUNTERPARTY

REPORTING INSTITUTION



EXCHANGE TRADED CONTRACTS

COUNTERPARTY

REPORTING INSTITUTION

EXCHANGE

