

Investment Funds Alert

Keeping Score—New TIC Form SLT

October 17, 2011

The Department of the Treasury's new Treasury International Capital System (TIC) Form SLT¹ regime requires (i) entities that are organized in the United States that issue equity securities or certain long-term debt securities ("Reportable Securities") to foreign residents and (ii) United States-organized or resident investors in Reportable Securities issued by entities organized outside the United States to file a Form SLT unless a custodian that is subject to the Form SLT regime (a "U.S.-Resident Custodian") also holds Reportable Securities.² The Form SLT regime will commonly apply to issuers organized in the United States that issue Reportable Securities in a Regulation S transaction to foreign investors and to investment funds that are investing in foreign Reportable Securities, including partnership interests in a master fund organized outside of the United States. An exclusion applies, however, if the consolidated fair value of the Reportable Securities, either owned or issued, is less than \$1 billion as of the last day of each reporting month or quarter during a reporting year. Persons subject to the Form SLT regime must make a filing with the Department of the Treasury by the 23rd day after the last day of each reporting period.³ Form SLT filings are confidential and are used for aggregating information on foreign investment.

Reportable Securities

United States issuers and investors that are required to report on Form SLT must only include securities that are "long term" securities in calculating the \$1 billion threshold and for determining the amounts that are reported for the various categories of the Form SLT. These Reportable Securities include all equity interests other than "direct investments" (ownership interests of 10 percent or more of voting securities) and debt securities with original maturities of one calendar year or more, including asset-backed securities.⁴ Limited partnership interests, however, are not voting securities under the Form SLT regime and may not be excluded as a "direct investment." The form specifically also excludes loans and loan participation certificates from Reportable Securities.

Layout of the Form

The form itself is divided into two parts, with the first part (Part A) for custodians and the second part (Part B) for issuers and investors. Each part is a chart composed of (i) columns for the various types of United States securities owned by foreign residents and foreign securities owned by United States residents and (ii) rows for each country by

¹ Other Treasury forms, such as TICS, TIC SHCA and TIC SHLA, continue to apply.

² United States-organized custodians are also subject to reporting requirements for securities issued by non-United States-organized entities held for the benefit of United States-resident persons and securities issued by United States-organized entities held for the benefit of foreign persons.

³ Since the first reporting day for the Form SLT relating to September 30 will fall on a Sunday (October 23), the form will not be required to be filed until Monday, October 24, 2011.

⁴ Direct investments must be reported under the more onerous reporting regime of the Bureau of Economic Analysis.



region with grand totals for the various types of securities. The categories of securities required to be reported by the form are—

United States Securities Owned by Foreign Residents

- United States Treasury and Federal Financing Bank bonds and notes
- bonds of United States government corporations and federally sponsored agencies
- bonds issued by states, municipalities and private companies organized in the United States
- equity securities issued by entities organized in the United States.

Each column relating to United States securities owned by foreign residents is further sub-divided for those securities owned by foreign official institutions⁵ and all other foreign persons.

Foreign Securities Owned by United States Organized Entities or United States Residents

- bonds issued by foreign central governments, international or regional organizations or foreign official institutions
- bonds issued by public and private corporations organized outside the United States
- equity securities issued by public and private corporations resident outside the United States, including American Depositary Receipts.

Persons reporting on Form SLT must populate the appropriate cells of the form with the aggregate fair market value of the relevant category of securities and the country of the purchaser or issuer.⁶

Examples of Reporting Under Form SLT

Investment Advisers

Investment advisers are required to file one consolidated report relating to the holdings and issuances of all United States fund issuers that they manage that (i) own securities of non-United States issuers or (ii) have issued securities to foreign persons. Therefore, investment advisers must use the consolidated amount of Reportable Securities as measured across its United States fund clients for determining, first, whether they satisfy the \$1 billion exemption and, second, which amounts are to be reported in the form. Many United States investment advisers that advise funds organized in a master-feeder structure will be required to report foreign master fund interests owned by a domestic feeder fund. Other examples of securities that investment advisers may be required to report include (i) ownership of non-United States securities held by domestic funds through non-United States custodians and (ii) investment by non-United States resident persons (such as a foreign feeder fund or other non-U.S. investors) in United States-organized funds managed by the adviser. Foreign securities owned by a master fund organized outside of the United States would not have to be reported even if a domestic fund feeder fund invests in the master fund.

Sales by United States-Organized Issuers

United States-organized issuers that sell securities to foreign persons whether directly or through a global security in a Regulation S transaction will be required to file a Form SLT if the amount of the securities to be issued equals or exceeds the \$1 billion threshold. If the securities are issued through a global note with foreign custodian, such as

⁵ “Foreign Official Institutions” include national governments, international and regional organizations and sovereign wealth funds.

⁶ One notable exception to reporting Reportable Securities under the row of the issuer is American Depositary Receipts. While ADRs are technically issued by a United States issuer, the depository, they are looked through to the underlying foreign security that they represent.

Euroclear S.A., the nominee for the central securities depository would be considered to be the holder of record for reporting purposes.

Preparation for Filing

Persons that are required to file Form SLT should begin gathering data for the October 24 deadline and ensure that they have the requisite 10-digit ID number assigned by the Federal Reserve Bank of New York.⁷ In 2011, the reporting periods are the quarters ending September 30, 2011, and December 31, 2011, but filing will be required on a monthly basis in 2012. For further information regarding Form SLT, the TIC Form SLT itself is available [here](#), the instructions are available [here](#) and FAQs are available [here](#).

CONTACT INFORMATION

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