Form SHL: Foreign Residents’ Holdings of U.S. Securities Due August 2014

The U.S. Department of the Treasury requires U.S. resident issuers (including U.S. resident investment funds) and investment advisers managing foreign investment funds to report foreign residents’ holdings of U.S. securities, including equity, debt and asset-backed securities, every five years on its Treasury International Capital (TIC) Form SHL.\(^1\) The Federal Reserve Bank of New York (FRBNY), as agent for the U.S. Department of the Treasury, has sent many U.S. issuers and fund managers a copy of Form SHL, and all issuers and fund managers who have received the form are required to complete at least Schedule 1 of the form. All U.S. issuers with at least $100 million in reportable securities, as described below, held by foreign-resident persons, and all U.S. managers of foreign funds that, in the aggregate, hold at least $100 million in reportable securities, must complete the entire Form SHL, including the detailed information security-specific information on Schedule 2 even if the potential filer has not received a Form SHL from the FRBNY.

All data reported on the Form SHL schedules and whether a person meets the above thresholds should be measured as of the close of business on Monday, June 30, 2014. **Form SHL should be submitted to the FRBNY no later than the last business day of August, Friday, August 29, 2014.**

**Reportable Securities**

The TIC SHL regime requires, among other things, that U.S.-resident issuers (including U.S. resident funds) report foreign ownership of certain of the securities that they have issued. In addition, U.S. managers of foreign funds are required to report certain U.S. securities owned by their foreign-resident funds.\(^2\) U.S. issuers and fund managers must report (i) U.S. securities owned by foreign residents, including by foreign funds, that are not held by either a U.S.-resident custodian, such as a broker or dealer, or a U.S. resident central securities depository; (ii) U.S. securities in book entry form that are held at a foreign-resident central securities depository; and (iii) U.S. bearer securities. Equity securities, including common stock, preferred stock, restricted stock, fund interests and all other equity interests other than “direct investments”\(^3\) must be reported. In addition, debt securities, including all long-term and

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1. If the amount of reportable securities is particularly large or significant, the filer may also be required to file Form SHLA on an annual basis.
2. Broker-dealers and central securities depositaries are also required to report foreign ownership of U.S. securities.
3. "Direct investments" are not reportable securities. A direct investment exists when a U.S. company owns 10 percent or more of the voting equity securities of an incorporated foreign business or when a foreign company owns 10 percent or more of the voting equity securities of an incorporated U.S. business. Limited partners in a limited partnership do not have voting rights and therefore cannot have a direct investment. All holdings known that qualify as direct investments should be excluded from the SHL Report.
short-term debt securities, commercial paper, index-linked debt securities and negotiable certificates of deposit, and asset-backed securities must be reported.

Securities are considered to be foreign-owned if, according to the reporter’s records, the holder of record is not a resident of the United States. Examples of “foreign residents” are residents of foreign countries, foreign subsidiaries of U.S. entities, and offshore and other non-U.S. funds. U.S.-resident organizations should include all reportable securities for all U.S.-resident parts of their organization, including all U.S.-resident branches and subsidiaries. Foreign ownership of shares of U.S.-resident funds that are managed by the reporting entity should be included, unless a U.S.-resident custodian other than the reporting entity is used.

Examples of Reporting
U.S. investment advisers will report:

- foreign investors in the U.S. funds that they advise
- the offshore fund’s investment into a U.S. master fund
- the reportable U.S. securities owned by a foreign fund (including a master fund) that are not held at a U.S. custodian, such as U.S. securities held at a foreign custodian or privately placed U.S. reportable securities that are not required to be held by a custodian pursuant to the custody rule under the Investment Advisers Act of 1940.

Layout of the Form and Reporting Thresholds
The form is divided into two schedules. All persons that receive a Form SHL from the FRBNY and other persons with at least $100 million in reportable securities must complete Schedule 1. Schedule 1 contains:

- identifying information
- a description of the filer
- valuation techniques the filer employs for each reporting unit
- a summary of Schedule 2 information
- a certification.

Schedule 2 must be completed by each filer with at least $100 million in reportable securities. Schedule 2 contains identifying information and security descriptions of each foreign holding of each U.S. security, including:

- the name of the issuer of the security
• the type of securities
• the currency denomination of the securities
• the country and type of the foreign holder
• the market value of the securities.

Preparation for Filing
Persons that are required to file Form SHL should begin completing their Form SHL in preparation for the August 29 deadline and ensure that they have the requisite 10-digit Reporter ID number assigned by the FRBNY by the middle of August.4 Instructions and other information regarding Form SHL, as well as the form itself, are available here. For U.S.-resident organizations submitting 200 or more Schedule 2 records, the Schedule 2 data must be submitted electronically using the Federal Reserve System’s Internet Electronic Submission (IESUB). If a U.S.-resident organization is submitting fewer than 200 Schedule 2 records, the records may be submitted (i) using the IESUB system on CD(s) using the format specified in Form SHL’s Appendix H or (ii) on paper using the form contained in Form SHL’s Appendix A.

4 Filers may obtain a Reporter ID by calling 212.720.6300 or 646.720.6300, or by e-mailing SHLA.Help@ny.frb.org.
Contact Information
If you have any questions regarding this alert, please contact the Akin Gump lawyer with whom you usually work or:

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