

BOPCOM-04/

**Seventeenth Meeting of the
IMF Committee on Balance of Payments Statistics
Pretoria, October 26-29, 2004**

Recent U.S. Progress in Collecting Data on Derivatives

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Recent U.S. Progress in Collecting Data on Derivatives

1. This note briefly summarizes work conducted in the United States over the past several years to design a report form that collects comprehensive data on U.S. positions and transactions in derivative financial instruments.
2. In the United States, the U.S. Bureau of Economic Analysis (BEA) is the agency that is responsible for compiling the U.S. balance of payments and international investment position accounts. BEA has authority for directly collecting certain data for these purposes, principally in the areas of direct investment and international services transactions. It relies on other U.S. Government agencies as well as on private institutions for most of the other information that it uses in the accounts.
3. The Department of Treasury is the U.S. Government agency with primary responsibility for data collection in the area of portfolio investment and derivatives. It works closely with other Government agencies – particularly the Federal Reserve Board, the Federal Reserve Bank of New York, and BEA – in identifying data gaps, resolving conceptual and practical issues, and in designing report forms. The data on portfolio investment are collected by the Federal Reserve Bank of New York, which serves as the Department of Treasury’s data collection agent for the Treasury International Capital (TIC) reporting system.
4. Regarding derivatives, BEA designed and conducted a voluntary, one-time survey of derivatives in 1998-99, to assess the size of U.S. positions and transactions. The survey was completed by six derivatives dealers who, in total, were believed to account for about half of total U.S. positions and transactions in derivatives. Results showed that, at market value, cross-border positions for the six dealers totaled nearly \$200 billion both for assets and for liabilities, with a relatively small net position. Transactions for a single month were reported by five dealers, which BEA estimated

represented an annualized net flow of about \$3 billion.

5. Work on designing a mandatory survey of derivatives after 1999 proceeded in coordination with other initiatives to improve the TIC reporting system and in consultation with potential survey respondents, so that the burden on reporters from all initiatives could be introduced in a balanced fashion.¹ The introduction of the derivatives survey also was scheduled so that it would occur after accounting guidelines issued by national and international accounting standard setters, such as the Financial Accounting Standards Board and the International Accounting Standards Board, and by international organizations, such as the International Monetary Fund, were established and had stabilized.

6. Four meetings at roughly annual intervals were held with industry representatives in 2000-03, to discuss and refine the coverage of the derivatives survey. Industry representatives said that data on transactions in derivatives were much more burdensome to report than data on positions in derivatives. To balance the burden on survey respondents and the needs of data users for timely, comprehensive data, the recently approved mandatory quarterly “Report of Holdings of, and Transactions in, Financial Derivatives Contracts with Foreign Residents” (TIC Form D) has the following attributes:
 - a. Exemption level – The exemption level is set relatively high so as to exclude most transactors from reporting while also covering the vast majority of transactions and positions. Reporters must file Form D if total holdings of derivatives contracts with domestic and foreign parties, for their own account and for the

1. Among the improvements and expansions of the TIC reporting system during the period 2000 forward were the establishment of annual surveys of portfolio investment assets and liabilities; coverage of broker margin accounts; collection of information on portfolio investment liabilities by domestic sector, instrument, maturity, and currency; expanded efforts that improved the comprehensiveness and accuracy of overall TIC reporting, including of short-term financial instruments (other than derivatives) and of bank sweep accounts; and the elimination of some detailed data reporting requirements to offset a portion of the increases in respondent burden associated with the above.

accounts of their customers, are at least \$100 billion (notional value). If the exemption level is exceeded, positions and transactions involving only foreign residents must be reported. At this exemption level, it is expected that fewer than 50 U.S. companies, accounting for an overwhelming majority of U.S. cross border derivatives positions and activity, will be required to report.

- b. Phasing in of mandatory reporting of transactions data – Comprehensive data on positions in derivatives will be collected on the survey beginning with 1Q05. However, data on transactions will be phased in over three quarters, and only data on transactions in over-the-counter (OTC) foreign exchange derivatives will be reported on a mandatory basis in 1Q05. In 2Q05, transactions in all exchange-traded contracts must also be reported on a mandatory basis. In 3Q05, transactions data will have to be reported for all types of derivatives, including OTC interest rate contracts.

- c. Summary of data item coverage: For holdings, Form D collects data on the total gross positive and on the total gross negative fair value of derivatives contracts by individual foreign country. Aggregate positive and negative fair value estimates (for all foreign countries combined) are also subdivided as follows. OTC derivatives are subdivided by risk category (single-currency interest rate contracts; foreign exchange contracts; and other contracts), and single-currency interest rate contracts and foreign exchange contracts are further subdivided by type of instrument (forwards, swaps, and options). Exchange-traded derivatives are subdivided into the reporter's own derivatives contracts traded on foreign exchanges; U.S. customers' contracts on foreign exchanges; and foreign counterparty contracts on U.S. exchanges. In addition, 3 memorandum items are collected with no country detail (contracts with the reporter's own foreign offices, contracts with foreign official institutions, and contracts of U.S. depository institutions with foreigners).

For transactions, less detailed data are collected. Form D collects data on “net settlements” during the reporting period, representing the net of all cash receipts and payments for the acquisition, sale, or settlement of derivatives. Data are collected for each individual foreign country. Data for all foreign countries combined are also subdivided as follows. Net settlements data are collected for OTC derivatives, by risk category (single-currency interest rate contracts, foreign exchange contracts, and other contracts), but these data are not further subdivided by type of instrument. Net settlements of exchange-traded contracts are subdivided into the reporter’s own derivatives contracts traded on foreign exchanges; U.S. customers’ contracts on foreign exchanges; and foreign counterparty contracts on U.S. exchanges. Of the 3 memorandum items, transactions data must be reported only for contracts with foreign official institutions.

- d. Exclusions: Cash collateral for OTC derivatives and initial and maintenance cash margin for exchange-traded derivatives are not collected on TIC Form D, because they are collected on other TIC surveys.
7. The coverage of derivatives on the survey is consistent with U.S. generally accepted accounting standards (Financial Accounting Statement No. 133). Swaps, forwards, futures, and options are covered, and employee stock options are not covered.
8. A copy of the TIC Form D is attached. A copy of the detailed instructions to the form may be found at the following Department of Treasury Web site:
www.ustreas.gov/tic/forms.html.

Question for the Committee

9. Do Committee members have any questions or comments on the U.S. collection of data on cross-border derivatives positions and transactions (TIC Form D)?

REPORT OF HOLDINGS OF, AND TRANSACTIONS IN, FINANCIAL DERIVATIVES CONTRACTS

FORM D

DEPARTMENT OF THE
TREASURY
Office of the Assistant Secretary
for International Affairs

Form Approved
OMB Control No. 1505-XXXX
DRAFT July 22, 2004

Please type or print:

Name of Reporting Entity:

ID Number:

As of Date:

Name of Contact if We Have
Questions:

Contact's Phone Number:

Name and Title of Officer
Authorized to Sign Report:

**Please read carefully and
sign below:**

I, _____,

*(Signature of Officer
Authorized to Sign Report)*

of the reporting entity do
hereby declare that the
Treasury International Capital
D report for this report date has
been prepared in conformance
with the instructions and is true
to the best of my knowledge
and belief.

Legal basis and confidentiality statement:

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)). 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 for not more than one year, or both. Any officer, director, employee, or agent of any corporation 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)).

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 Treasury. 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.

Note: No person is required to respond to any U.S. Government collection of information unless the form displays a currently valid control number assigned by the Office of Management and Budget (OMB).

Important notes:

- Before preparing this report, please read the Instructions carefully.
- Additional copies of this form, the Instructions, and the answers to Frequently Asked Questions can be obtained at the following web site:
www.ustreas.gov/tic/forms.html
- This report should be filed no later than the sixtieth calendar day following the last day of the quarter.
- Amounts should be reported in millions of dollars.

PART 1 - HOLDINGS OF, AND TRANSACTIONS IN, DERIVATIVES CONTRACTS WITH FOREIGN-RESIDENTS				
DERIVATIVES CONTRACTS BY MAJOR RISK CATEGORY		FAIR VALUE OF DERIVATIVES CONTRACTS WITH FOREIGN RESIDENTS AT END OF REPORTING QUARTER		U.S. NET SETTLEMENTS DURING THE QUARTER WITH FOREIGN RESIDENTS
		GROSS POSITIVE	GROSS NEGATIVE	
		1 millions	2 millions	3 millions
	OVER-THE-COUNTER CONTRACTS			
1	SINGLE - CURRENCY INTEREST RATE CONTRACTS			
1.a	FORWARDS			
1.b	SWAPS			
1.c	OPTIONS			
2	FOREIGN EXCHANGE CONTRACTS			
2.a	FORWARDS			
2.b	SWAPS			
2.c	OPTIONS			
3	OTHER CONTRACTS			
	EXCHANGE-TRADED CONTRACTS			
4	OWN DERIVATIVES CONTRACTS ON FOREIGN EXCHANGES			
5	U.S. CUSTOMERS' DERIVATIVES CONTRACTS ON FOREIGN EXCHANGES			
6	FOREIGN COUNTERPARTY DERIVATIVES CONTRACTS ON U.S. EXCHANGES			
7	GRAND TOTAL			
	OF WHICH:			
M.1	CONTRACTS WITH OWN FOREIGN OFFICES			
M.2	CONTRACTS WITH FOREIGN OFFICIAL INSTITUTIONS			
M.3	CONTRACTS OF U.S. DEPOSITORY INSTITUTIONS WITH FOREIGNERS			

PART 2 - HOLDINGS OF, AND TRANSACTIONS IN, DERIVATIVES CONTRACTS WITH FOREIGN-RESIDENTS BY COUNTRY

FOREIGN COUNTRY	FAIR VALUE OF DERIVATIVES CONTRACTS WITH FOREIGN RESIDENTS AT END OF REPORTING QUARTER		U.S. NET SETTLEMENTS DURING THE QUARTER WITH FOREIGN RESIDENTS
	GROSS POSITIVE	GROSS NEGATIVE	

1
2
3
millions
millions
millions

Europe			
Austria	1018-9		
Belgium	1025-1		
Bulgaria	1520-2		
Czech Republic	1528-8		
Denmark	1050-2		
European Central Bank	1350-1		
Finland	1070-7		
France	1080-4		
Germany	1100-2		
Greece	1120-7		
Hungary	1550-4		
Ireland	1140-1		
Italy	1150-9		
Luxembourg	1170-3		
Netherlands	1210-6		
Norway	1220-3		
Poland	1576-8		
Portugal	1231-9		
Romania	1580-6		
Russia	1610-1		
Spain	1250-5		
Sweden	1260-2		
Switzerland	1268-8		
Turkey	1280-7		
United Kingdom	1300-5		
Channel Islands & Isle of Man	1305-6		
Yugoslavia	1321-8		
Other Europe	1800-7		
TOTAL EUROPE	1999-2		

PART 2 - HOLDINGS OF, AND TRANSACTIONS IN, DERIVATIVES CONTRACTS WITH FOREIGN-RESIDENTS BY COUNTRY

FOREIGN COUNTRY	FAIR VALUE OF DERIVATIVES CONTRACTS WITH FOREIGN RESIDENTS AT END OF REPORTING QUARTER		U.S. NET SETTLEMENTS DURING THE QUARTER WITH FOREIGN RESIDENTS
	GROSS POSITIVE	GROSS NEGATIVE	

1
2
3
millions
millions
millions

CANADA	2999-8			
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<u>LATIN AMERICA</u>				
Argentina	3010-4			
Brazil	3030-9			
Chile	3040-6			
Colombia	3050-3			
Ecuador	3100-3			
Guatemala	3120-8			
Mexico	3170-4			
Panama	3188-7			
Peru	3220-4			
Uruguay	3260-3			
Venezuela	3271-9			
Other Latin America	3910-1			
TOTAL LATIN AMERICA	3994-2			

<u>CARIBBEAN</u>				
Bahamas	3531-9			
Bermuda	3560-2			
Cayman Islands	3613-7			
Cuba	3070-8			
Jamaica	3160-7			
Netherlands Antilles	3720-6			
Trinidad and Tobago	3240-9			
Other Caribbean	3359-6			
TOTAL CARIBBEAN	3440-1			

PART 2 - HOLDINGS OF, AND TRANSACTIONS IN, DERIVATIVES CONTRACTS WITH FOREIGN-RESIDENTS BY COUNTRY

FOREIGN COUNTRY	FAIR VALUE OF DERIVATIVES CONTRACTS WITH FOREIGN RESIDENTS AT END OF REPORTING QUARTER		U.S. NET SETTLEMENTS DURING THE QUARTER WITH FOREIGN RESIDENTS
	GROSS POSITIVE	GROSS NEGATIVE	

		1 millions	2 millions	3 millions
ASIA				
Bahrain	4070-3			
China				
Mainland	4140-8			
Taiwan	4630-2			
Hong Kong	4200-5			
India	4210-2			
Indonesia	4221-8			
Iran	4230-7			
Iraq	4240-4			
Israel	4250-1			
Japan	4260-9			
Korea	4300-1			
Kuwait	4310-9			
Lebanon	4341-9			
Malaysia	4360-5			
Oman	4410-5			
Pakistan	4470-9			
Philippines	4480-6			
Qatar	4510-1			
Saudi Arabia	4560-8			
Singapore	4601-9			
Syria	4620-5			
Thailand	4641-8			
United Arab Emirates (Trucial States)	4660-4			
Other Asia	4890-9			
TOTAL ASIA	4999-9			

PART 2 - HOLDINGS OF, AND TRANSACTIONS IN, DERIVATIVES CONTRACTS WITH FOREIGN-RESIDENTS BY COUNTRY			
FOREIGN COUNTRY	FAIR VALUE OF DERIVATIVES CONTRACTS WITH FOREIGN RESIDENTS AT END OF REPORTING QUARTER		U.S. NET SETTLEMENTS DURING THE QUARTER WITH FOREIGN RESIDENTS
	GROSS POSITIVE	GROSS NEGATIVE	
	1 millions	2 millions	3 millions
<u>AFRICA</u>			
Algeria 5010-5			
Congo (Kinshasa) 5170-5			
Egypt 5700-2			
Gabon 5241-8			
Ghana 5260-4			
Liberia 5320-1			
Libya 5330-9			
Morocco 5400-3			
Nigeria 5430-5			
South Africa 5571-9			
Other Africa 5890-4			
TOTAL AFRICA 5999-4			
<u>OTHER COUNTRIES</u>			
Australia 6008-9			
New Zealand 6168-9			
All Other 6390-8			
TOTAL OTHER COUNTRIES 6990-6			
<u>INTERNATIONAL & REGIONAL ORGANIZATIONS</u>			
International 7290-7			
European 7390-3			
Latin American 7491-8			
Caribbean 7494-2			
Asian 7590-6			
African 7690-2			
Middle Eastern 7790-9			
TOTAL INT'L & REGIONAL 7999-5			
GRAND TOTAL 9999-6			