

Alerts & Publications

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The Department of the Treasury Has Announced Adoption of Form SLT

September 23, 2011

Fund managers, broker-dealers and banks may be required to file the US Department of the Treasury's Form SLT. The form becomes effective for the quarter ending September 30, 2011. If the reporting threshold is met, Form SLT must be filed for the quarter ending September 30, 2011, by **October 24, 2011**. The Form is meant to allow tracking of the ownership of US long-term securities by foreign residents and the ownership of foreign long-term securities by US residents. Data reported on Form SLT will be confidential and disclosed only to the Department of the Treasury, the Board of Governors of the Federal Reserve System and the Federal Reserve Banks. This client alert primarily addresses the implications of the new form on investment managers.

Who Must File?

The following persons are required to file the form:

- A "US-resident custodian." A US-resident custodian is any entity that manages or administers the custody or safekeeping of securities or other assets for investors.
- A "US-resident issuer." A US-resident issuer is any entity established in the United States that has the power to issue and distribute securities, and includes all pooled funds and corporations. Importantly, this definition includes domestic feeder funds controlled by offshore managers.
- A "US-resident end-investor." A US-resident end-investor is any individual or entity incorporated or otherwise legally established in the United States that acquires or invests on behalf of others, including managers of funds and separately managed accounts. Like the definition of "US-

resident issuer,” this definition includes domestic feeders controlled by offshore managers.

What’s in the Form?

An entity that is required to report must file information describing long-term securities issued to foreign residents and all reportable long-term securities held for its own and its clients’ accounts.

For US securities issued to foreign residents, a reporting entity is required to disclose aggregate information by country of residence, outlining the types of holders and distinguishing between foreign official institutions and other foreign holders. For foreign securities held by US residents, a reporting entity is required to disclose aggregate information by country of issuance including the fair market value of the securities.

Reporting Threshold

Reporting entities are required to file if the aggregate total of all “reportable long-term securities” has a fair market value of at least US\$1 billion on the last business day of a reporting period. For purposes of this calculation, the consolidated total includes amounts held for customers, and includes reportable securities for all US resident affiliates of the reporting entity.

In general, reportable long-term securities are securities with an original maturity of more than one year or with no contractual maturity such as common stock, preferred stock, depositary receipts, limited partnership interests, mutual fund shares, debt, convertible bonds, asset-backed securities, floating rate notes and other similar interests. Securities that are not reportable long-term securities include securities with an original maturity of one year or less or derivative contracts, short positions, letters of credit, precious metals and currencies held in the reporting entity’s vaults, bank deposits and annuities. Reportable long-term securities include:

- Foreign securities that US-resident custodians hold on behalf of US residents,
- US securities that US-resident custodians hold on behalf of foreign residents,
- US securities that are issued by US-resident issuers and held directly by foreign residents, and
- Foreign securities that are held directly by US-resident end-investors.

In calculating whether the US\$1 billion threshold is met, US-resident end-investors (e.g., fund managers) should not count foreign long-term securities held by US-resident custodians (e.g., prime brokers) on their behalf, and US-resident issuers should not count securities that they have issued that are held by US-resident custodians on behalf of foreign-resident end-investors.

Holdings of long-term securities that constitute “direct investments” are also not included in the calculation of the threshold. Direct investments include:

- a US resident owning a direct or indirect voting interest (limited partnership interests are not considered voting) of 10% or more in a foreign company, or
- a foreign resident owning a direct or indirect voting interest of 10% or more in a US company.

What an Investment Manager Needs to Know

An investment manager is required to file Form SLT on behalf of onshore funds and the accounts of US-resident investors that it manages (“US accounts”) if the aggregate fair market value of long-term securities issued by the onshore funds to foreign residents, plus the aggregate fair market value of foreign long-term securities held by onshore funds and US accounts is more than US\$1 billion as of the relevant period end, excluding “direct investments” and any securities held by a US-resident custodian. In addition to reportable securities of unaffiliated issuers, such as shares of foreign publicly traded companies or foreign private companies, such foreign long-term securities may include the interests held by onshore feeder funds in foreign master funds.

Investment managers managing more than one fund must file a single Form SLT for the reportable long-term securities issued by such onshore funds to foreign-resident investors and the reportable foreign long-term securities held by onshore funds and US accounts on a consolidated basis. An investment manager does not report on its Form SLT foreign long-term securities held by a US-resident custodian because the US-resident custodian has the reporting obligation with respect to those securities.

Filing Dates

In 2011, reporting entities meeting the US\$1 billion reporting threshold will be required to file Form SLT quarterly, with reporting dates of September 30 and December 31. Beginning in 2012, reporting entities will be required to file Form SLT monthly. Form SLT will be due no later than the 23rd calendar day of the month following the reporting date.

Once a Form SLT is filed for any reporting period during a calendar year, the reporting entity must submit a Form SLT for each remaining quarter or month in that calendar year, even if the fair market value of the reportable securities in any subsequent quarter or month falls below the US\$1 billion reporting threshold.

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For a copy of the Form SLT, its proposed instructions and frequently asked questions, please click [here](#).

Please note that the Federal Reserve Bank of New York held a training seminar which provided information on reporting criteria, data concepts and preparation of the TIC Form SLT. A webcast of the seminar is available [here](#) for viewing until October 20, 2011.

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