

New Form SLT Reporting Requirements in Effect for Certain Investment Advisers

Written by Catherine M. Anderson, Jeffrey D. Collins

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Effective September 30, 2011, the new Treasury International Capital (TIC) Form SLT is required to be filed by certain custodians, investment managers and investors. The first filing deadline will be October 24, 2011 for any reporting entity, including an investment adviser that has \$1 billion or more of reportable securities as of the last business day of the reporting month. You should note that only aggregate data derived from Form SLT will be published and only in a manner that will not reveal individual responses.

Why is the Form SLT required?

The purpose of Form SLT is to collect information on cross-border ownership by U.S. and foreign residents of long-term securities for portfolio investment purposes. The instructions for the Form SLT state that information is needed for preparation of the U.S. Balance of Payments accounts and the U.S. international investment position, and in the formulation of U.S. international financial and monetary policies.

Who must report?

There are three categories of reportable entities: U.S.-resident¹ custodians, U.S.-resident issuers² and U.S. resident end-investors³. These categories will include U.S. investment advisers and U.S.-resident funds (**including those managed by non-U.S. investment advisers**), including a U.S.-based feeder fund owning shares of an offshore-based master fund.

U.S.-resident custodians must report both U.S. securities that they hold in custody for foreign residents and foreign securities they hold in custody for U.S. residents.

U.S.-resident issuers must report all securities issued by the U.S.-resident issuer directly to foreign residents⁴, including (i) registered securities that are owned by foreign residents for which neither a U.S.-resident custodian nor a U.S.-resident central depository is used, (ii) book-entry securities that are held at a foreign-resident central securities depository, (iii) bearer securities, and (iv) shares or other equity interests issued directly to or placed with foreign residents (e.g.: a U.S.-based master fund issues shares to foreign feeder funds, or a U.S. fund issues limited partnership interests to a foreign person).

U.S.-resident-end investors (which include investment advisers and funds) must report all investments in foreign securities for their own portfolio or for the portfolios of their U.S. clients that **are not held** by U.S.-resident custodians.

It should be noted that it is expected that financial intermediaries (such as U.S. brokers and U.S. custodians) will do the majority of the reporting. To avoid duplication of reporting, U.S.-resident-end investors (including investment managers) are required to report only transactions and holdings that are not required to be reported by an intermediary. U.S.-resident-end investors (including investment managers) should contact their prime brokers and custodians to determine if that prime broker/custodian will be making the Form SLT filing with respect to any foreign securities. Foreign brokers/custodians will not have Form SLT reporting obligations because they are not U.S. resident custodians, however, so U.S.-resident-end investors (including investment managers) using foreign brokers/custodians will have to report those holdings themselves.

In determining whether a U.S.-resident-end investor (including investment managers) falls under the \$1 billion reporting exemption, the U.S.-resident-end investors should aggregate all of their reportable foreign securities, including directly held portfolio investments in funds and limited partnerships, that are not held by a U.S.-resident custodian in an account in the name of the end-investor. The foreign

securities that are held by the U.S. resident-custodian on behalf of the end-investor should not be included in determining whether the end-investor fits under the exemption (however, all reportable securities issued by the end-investor directly to foreign investors should be included in the exemption calculation).

What are reportable securities?

Examples of reportable long-term securities with an original maturity of more than one year or no contractual maturity include: equity, debt, preferred and restricted stock, convertible bonds and debt with attached warrants, zero-coupon debt. The FAQs for the TLC SLT state that any long and short positions should not be netted and only the gross long position should be reported.

The following types of securities (together with others) are specifically excluded from the long-term securities definition: short term securities, bankers' acceptances, derivative contracts (including forward contracts to deliver securities), letters of credit, bank deposits, and annuities.

How must we report?

Form SLT must be submitted by the reporting entity with at least \$1 billion in reportable securities to the Federal Reserve Bank, no later than the 23rd calendar day of the month following the month of reporting. The Form may be submitted electronically, by mail or fax. For 2011, the Form will be required only on a quarterly basis **with the first submission due on October 24, 2011**. The Form SLT filings will be required on a monthly basis starting January 31, 2012.

1A U.S. resident is any individual, corporation or other entity incorporated or otherwise legally established in the United States, including branches, subsidiaries and affiliates of foreign entities located in the United States. Residency of an entity is determined by the place of incorporation.

2A U.S. resident issuer would include, among others, a U.S. based master fund which issues interests to a foreign feeder, or a U.S. limited partnership that issues interests to a foreign resident.

3An end-investor is an entity that acquires or relinquishes securities for its own account (for trading, investment or any other purposes) or invests on behalf of others. An end-investor would include a fund manager, and a U.S. based feeder fund owning shares of an offshore master fund, among others.

4A foreign resident is any individual, corporation, or other entity legally established outside the U.S., regardless of the actual center of economic activity of the entity. Individuals, including U.S. citizens, residing outside of the U.S. are foreign residents. Any corporation or other entity incorporated outside of the U.S., including affiliates of U.S. entities that are located abroad, are foreign residents.

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