

January 10, 2022

Upcoming Deadline for Form SHC – Holdings of Foreign Securities

Recently, the Department of the Treasury released the final instructions for the reporting requirements of the Treasury International Capital Benchmark Form SHC (herein referred to as “Form SHC”) for the 2021 calendar year. Form SHC is filed every five years with the Federal Reserve Bank of New York. **Data as of December 31, 2021 must be submitted no later than March 4, 2022.**

Very generally, Form SHC requires U.S. residents to report information regarding (1) foreign securities owned by U.S. resident end-investors that are not held with a U.S. resident custodian and (2) foreign securities owned by U.S. resident end-investors that are held with a U.S. resident custodian. U.S. resident end-investors include pooled investment vehicles (such as private investment funds, hedge funds, mutual funds and other similar commingled vehicles), public and private pension funds, foundations and endowments. Generally, an investment adviser and manager files Form SHC on behalf of the U.S. resident end-investors it advises.

A designation as a “foreign security” is based upon the country of residence of the issuer of the security. Reportable foreign securities may be traded in the United States or in foreign countries, and may be denominated in any currency, including U.S. dollars. Neither the country in which the securities are traded, nor the currency in which the securities are denominated, is relevant in determining whether the securities are foreign. Reportable securities generally include:

- **Equity Securities:** Equity securities represent an ownership interest in a foreign resident organization and include limited partner interests, limited liability company interests, corporate shares and equity interests in funds and equivalent investment vehicles.
- **Long-Term Debt Securities:** Long-term debt foreign securities include bonds and notes with either no stated maturity or with an original maturity exceeding one year that usually give the holder an unconditional right to financial assets.
- **Short-Term Debt Securities:** Short-term debt foreign securities include bills, commercial paper and other money market instruments with an original maturity of one year or less that give the holder an unconditional right to financial assets.
- **Asset-Backed Securities:** Asset-backed are securities interests in a pool of assets that give the purchaser a claim against the cash flows generated by the underlying assets. An asset-backed security is reportable if the issuer securitizing the assets is a foreign resident. The underlying asset should not be used to determine whether the securities are reportable.

Certain holdings specified in the Instructions to Form SHC (including letters of credit, derivative contracts, loans and loan participation certificates, non-negotiable certificates of deposit, bank deposits and direct investments¹) are exempt from reporting on Form SHC.

Form SHC is a three-part report:

- Schedule 1 to Form SHC requires the U.S. resident to report basic identifying information about itself and summary information about the contents of Schedule 2 and Schedule 3.

- Schedule 2 to Form SHC requires detailed information regarding foreign securities, the safe-keeping of which is not held with a U.S. resident custodian, to the extent the total fair value of such securities **equals or exceeds \$200 million**.
- Schedule 3 for Form SHC requires summary information about foreign securities held by an unaffiliated U.S. resident custodian, to the extent the total fair value of such securities **equals or exceeds \$200 million**.

For additional information and guidance, a copy of Form SHC and the Instructions are available [here](#). If you have any questions about Form SHC or the reporting requirements, please contact your Ropes & Gray attorney.

1. “Direct investments” are reportable on the Bureau of Economic Analysis Direct Investment Surveys and defined therein.