

Transactions in U.S. Treasury Securities

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Coverage and definitions

These accounts measure net purchases of U.S. Treasury bonds, notes, bills, and certificates by private foreign residents and international organizations (see [table 25](#)). U.S. Treasury securities of all maturities are included. Excluded from these accounts are net purchases by foreign official agencies, which are included in line 58.

Estimation methods overview

Estimates of net foreign purchases of U.S. Treasury bonds and notes are based on the monthly Treasury International Capital (TIC) S form, "Purchases and Sales of Long-term Securities by Foreign Residents."

The S form is filed with district Federal Reserve banks, by U.S. banks and other depository institutions, bank holding companies, financial holding companies, securities brokers and dealers, investment managers, commercial enterprises, and other investors or non-bank enterprises who on their own behalf, or on behalf of their customers, engage in transactions with foreigners; transactions are reported at market prices as of the settlement date. Long-term refers to securities with an original maturity of more than 1 year. Net transactions for the quarter are equal to adjusted gross purchases less adjusted gross sales. Gross purchases and gross sales are adjusted for implicit commissions and for expected misreporting in the transactions data, as described below.

Estimates of U.S. Treasury bills and certificates are based on the monthly Treasury International Capital (TIC) BL-2 form, "Report of Customers' U.S. Dollar Liabilities to Foreign Residents," which is filed with district Federal Reserve Banks, by banks and other depository institutions, bank holding companies, financial holding companies, and securities brokers and dealers. Short-term refers to securities with an original maturity of 1 year or less. Net transactions for the quarter represent the difference between outstanding amounts for the closing month of each quarter.

Table 25. Transactions in U.S. Treasury Securities, 2009 (Line 65)

[Millions of dollars]

(Credits +, increase in U.S. liabilities; debits -, decrease in U.S. liabilities)	
U.S. Treasury securities, excluding transactions of foreign official agencies, net purchases (+) or net sales (-) by foreign residents.....	22,781
U.S. Treasury bonds and notes	85,914
U.S. Treasury bonds and notes, gross purchases by foreign residents.....	10,685,030
U.S. Treasury bonds and notes, gross sales by foreign residents	10,599,116
U.S. Treasury bills and certificates	-63,133

1 Long-term U.S. Treasury Bonds and Notes—Net Purchases by Foreign Residents (part of line 65)

1.1 This account measures net purchases by private foreigners and international organizations of long-term U.S. Treasury bonds and notes of an original maturity of more than 1 year. Net transactions for the quarter are equal to adjusted gross purchases less adjusted gross sales. Gross purchases and gross sales are adjusted for implicit commissions and for expected misreporting in the transactions data, as described below. Transactions are reported at market prices on the date of settlement.

The procedure for estimating net purchases of long-term U.S. Treasury bonds and notes by foreign residents is as follows:

1.2 (1) Data on gross sales and gross purchases of Treasury bonds and notes by foreign residents in transactions with U.S. residents are reported on the monthly S forms. Because this account excludes transactions of foreign official institutions, BEA adjusts the data reported on the S form by subtracting gross sales and gross purchases of Treasury bonds by foreign official institutions from the data reported for all foreign residents. The data for foreign official institutions are reported in a supplement to the S form. The amounts reported on the S form reflect the gross amounts of funds transferred to execute the transactions.

1.3 Gross purchases by foreign residents reported on the S form include the gross value of the Treasury bonds and notes and the implicit commission (the difference between the dealer's buying price and the selling price) paid by foreign residents to U.S. bond dealers. BEA subtracts the implicit commissions from gross purchases by foreign residents to obtain the gross value of the bonds purchased. Gross purchases by foreign residents, less implicit commissions, gives gross purchases adjusted for financial services flows.

1.4 Gross sales by foreign residents reported on the S form are reduced by implicit commissions retained by U.S. brokers when the bonds and notes are sold. BEA adds the implicit commissions to gross sales by

foreign residents to obtain the gross value of the bonds sold to obtain gross sales adjusted for financial services flows.

1.5 Implicit commissions estimated by BEA are based on the difference between the dealer's buying price and selling price obtained from industry sources. Financial services flows excluded from transactions in Treasury bonds are included in the current account.

1.6 (2) BEA also adjusts gross sales of Treasury bonds and notes by foreign residents for the expected underestimate or overestimate of net purchases in the S-form data based on comparisons of reported net purchases with net purchases derived from annual and benchmark surveys of holdings of Treasury bonds by foreign residents. In these comparisons through 2007, the S-form data repeatedly overestimated net purchases of Treasury bonds by foreign residents; however, from mid-2008 to mid-2009 net purchases were underestimated, motivated in part by a flight to safety from the financial crisis. Because of the mixed evidence, BEA suspended its adjustments for 2010 until the annual survey data for that year become available and can be evaluated.

1.7 Comparisons between the S-form data and the net purchases derived from annual and benchmark surveys of holdings of Treasury bonds and notes also indicate that the S-form data tend to overestimate net purchases of Treasury bonds by private foreign residents and underestimate net purchases of Treasury bonds by foreign official institutions. The Federal Reserve Board is able to provide BEA with quarterly adjustments correcting transactions by foreign official institutions and private foreigners in the S-form data. BEA adjusts the gross sales of Treasury bonds by private foreigners upward to reduce overestimates of net purchases of Treasury bonds by private foreigners. Offsetting adjustments are made to increase net purchases of Treasury bonds by foreign official institutions (line 58). Transactions of foreign official institutions may not be reported as expected in the supplement to the S form when these institutions conduct transactions through private intermediaries, causing an overestimate of private net purchases of Treasury bonds in the S form.

1.8 (3) Net purchases of Treasury bonds are equal to adjusted gross purchases of Treasury bonds by foreign residents less adjusted gross sales. When adjusted gross purchases exceed adjusted gross sales, net purchases of Treasury bonds appear in the accounts with a positive value, indicating a net inflow of funds. When adjusted gross purchases are less than adjusted gross sales, net sales of Treasury bonds appear in the accounts with a negative value, indicating a net outflow of funds.

2 Short-term U.S. Treasury Bills and Certificates—Net Purchases by Foreign Residents (part of line 65)

2.1 This account measures net purchases by private foreigners and international organizations of short-term U.S. Treasury bills and certificates of an original

maturity of 1 year or less.

2.2 Estimates of net foreign purchases of short-term U.S. Treasury obligations are based on the monthly TIC BL-2 form, "Report of Customers' U.S. Dollar Liabilities to Foreign Residents" that U.S. banks and other depository institutions, bank holding companies, financial holding companies, and securities brokers file with district Federal Reserve banks. The data are reported at face value for outstanding amounts at the end of each month. Net transactions for the quarter represent the difference between outstanding amounts for the closing month of each quarter. Information is not available to BEA to adjust the data for discounts or premiums reflecting fluctuations in the market price of these obligations. Furthermore, because reporting is at face value, any initial discount reflecting prepaid interest is not taken into account.