

Transactions Reported by U.S. Nonbanks

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Coverage and definitions

The nonbank accounts cover financial transactions of U.S. nonbanks vis-à-vis foreigners: U.S. nonbank claims are measured in line 53 and U.S. nonbank liabilities are measured in line 68. When combined with the accounts covering securities transactions (lines 52, 65, and 66) and banking transactions (lines 54 and 69), the three sets of transactions comprise all private financial transactions except direct investment, U.S. currency, and financial derivatives. The three sets of transactions are often referred to as other private investment in order to differentiate them from direct investment. Transactions in securities are sometimes referred to as portfolio investment.

The nonbank accounts cover financial transactions primarily of nonbank financial intermediaries; they exclude transactions of banks, bank holding companies, financial holding companies, and securities brokers and dealers, which are included in the banking accounts, and transactions in long-term securities. Major types of nonbank financial intermediaries are (1) leasing companies, finance companies, and commodities trading firms; (2) mutual funds, pension funds, unit investment funds, and other pools of commingled assets; and (3) insurance companies.¹ Also included are transactions of (4) nonfinancial companies and (5) nonprofit organizations, charitable organizations, and foundations. The nonbank accounts also cover commercial transactions conducted by exporters, importers, trading companies, and industrial and commercial firms; these transactions are significantly smaller than nonbank financial transactions.

Estimation methods

Quarterly estimates of nonbank financial transactions are made from multiple data sources that can be divided into two types: (1) Data collected directly from U.S. nonbanks, and (2) supplemental data collected from foreign counterparties to claims and liabilities of U.S. nonbanks. Sources for data collected directly are the U.S. Treasury, BEA's direct investment surveys, and the Depository Trust Corporation. Supplemental data are from central banks of the United Kingdom, Germany, and France, the Bank for International Settlements, and the U.S. Federal Reserve System.

1. Bank holding companies and financial holding companies with insurance underwriting subsidiaries are required to report for these subsidiaries on the Treasury International Capital (TIC) C forms and exclude them from the TIC B forms where other bank-related transactions are reported.

1 U.S. Nonbank Claims on Foreigners (line 53)**2 U.S. Nonbank Liabilities to Foreigners (line 68)**

These accounts measure claims on and liabilities to foreign residents of U.S. nonbanks (see [table 28](#)). Two categories of claims and liabilities are distinguished: (1) Financial claims and liabilities, which typically arise from investment lending and borrowing activities of enterprises and from financial intermediation activities, and (2) commercial claims and liabilities, which

generally arise from sales and purchases of goods and services in normal business operations and from acquisitions and disposals of assets employed in business.

1.1 Structure of the estimates

1.1.1 Quarterly estimates of financial transactions are made from (1) data collected directly from U.S. nonbanks, and (2) supplemental data collected from foreign counterparties to claims and liabilities of U.S.

Table 28. Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbank Concerns Except Securities Brokers, 2009 (Line 53 and Line 68)

[Millions of dollars]

(Credits +; decrease in U.S. assets or increase in U.S. liabilities. Debits -; increase in U.S. assets or decrease in U.S. liabilities.)	
Claims, total (line 53)	124,428
Financial claims	123,562
Denominated in U.S. dollars	128,625
Denominated in foreign currencies	-5,063
By instrument:	
Resale agreements	480
Negotiable certificates of deposit	-80
Other short-term instruments (including money market instruments)	832
Deposits	58,760
Other claims	63,570
<i>Of which:</i> Financial intermediaries' accounts	47,253
Commercial claims	866
Denominated in U.S. dollars	324
Denominated in foreign currencies	542
By instrument:	
Trade receivables	3,435
Advance payments and other claims	-2,569
Liabilities, total (line 68)	-1,460
Financial liabilities	6,571
Denominated in U.S. dollars	28,324
Denominated in foreign currencies	-21,753
By instrument:	
Repurchase agreements	1,531
Short-term instruments	-2,380
Other liabilities	7,420
<i>Of which:</i> Financial intermediaries' accounts	-3,607
Commercial liabilities	-8,031
Denominated in U.S. dollars	-8,192
Denominated in foreign currencies	161
By instrument:	
Trade payables	-175
Advance receipts and other liabilities	-7,856

nonbanks. All data are reported as quarter-end positions. Transactions for a given quarter represent the difference between outstanding amounts at the end of the current quarter and end of the previous quarter. Transactions for foreign-currency-denominated claims and liabilities are adjusted to remove the impact of changes in exchange rates on financial flows.

1.1.2 Data collected directly from U.S. nonbanks are based on: (1) Treasury International Capital (TIC) forms CQ-1 and CQ-2 covering claims and liabilities of U.S. nonbanks vis-à-vis unaffiliated foreigners; (2) BEA surveys of direct investment covering U.S. financial intermediaries' claims on and liabilities to affiliated financial intermediaries abroad (financial intermediaries' accounts); and (3) Depository Trust Corporation (DTC) records from which claims of U.S. financial intermediaries on affiliated financial intermediaries abroad, not reported on BEA direct investment surveys, are derived. These data covered 38 percent of the claims and 27 percent of the liabilities of these accounts in the 2009 international investment position.

1.1.3 Supplemental data are based on foreign banks' claims and liabilities vis-à-vis U.S. nonbanks. Foreign banks are the counterparties to many U.S. nonbanks' claims and liabilities; thus, foreign banks' liabilities to U.S. nonbanks are a measure of U.S. nonbanks' claims on foreign banks and foreign banks' claims on U.S. nonbanks are a measure of U.S. nonbanks' liabilities to foreign banks. The supplemental data are from U.S. Federal Reserve System reports covering branches of U.S. and foreign banks in Caribbean financial centers, from Bank for International Settlements reports covering banks in the Netherlands, and from reports by central banks in the United Kingdom, Germany, and France covering banks in their jurisdictions. These supplemental data are adjusted to remove double counts of data collected directly from U.S. nonbanks and from U.S. bank holding companies, financial holding companies, and securities brokers on the TIC B forms used to compile lines 54, 61, and 69. The supplemental data covered 62 percent of the claims and 73 percent of the liabilities of these accounts in the 2009 international investment position.

1.1.4 Supplemental counterparty data are used only to estimate financial claims and liabilities; no supplemental counterparty data are used to estimate commercial claims and liabilities.

1.2 Data collected directly from U.S. nonbanks

1.2.1 *Treasury International Capital System data.*—Quarterly estimates of positions of U.S. nonbanks are based partly on data from TIC forms “CQ-1: Report of Financial Liabilities to, and Financial Claims on, Unaffiliated Foreign Residents,” and “CQ-2: Report of Commercial Liabilities to, and Commercial Claims on, Unaffiliated Foreign Residents.” Amounts of outstanding claims and liabilities are reported on a gross basis, without deduction of any offsets against them. No deduction is made for any reserves or allowances that may have been established against possible future losses. However, when an asset is partially or entirely written off, the amount of the write-off is deducted from the outstanding amounts. These write-offs are considered valuation changes and are included in the international investment position. Similar to the reporting for banks and other depository institutions, loans and deposits of any maturity are included, as are all short-term financial instruments of an original maturity of 1 year or less. Transactions computed for foreign-currency-denominated claims and liabilities are adjusted to remove the impact of changes in exchange rates on financial flows.

1.2.2 Nonbank reporters on forms CQ-1 and CQ-2 are instructed to exclude claims and liabilities held in custody by U.S. banks; these claims are reported by banks as custody holdings on the TIC B forms. Similarly, nonbank reporters are instructed to exclude holdings in long-term securities; transactions related to these holdings of securities are reportable on TIC Form S. Transactions of nonbanks in financial derivatives are also excluded because they are reportable on TIC Form D.

1.2.3 *Claims.*—*Financial claims* of U.S. nonbanks reported on TIC Form CQ-1 include (1) loans and loan participations of any maturity (including loans made to finance trade other than those between the seller and purchaser of the traded good or service);

(2) resale and similar financing arrangements (unless held in custody by a U.S.-resident depository institution or other U.S. custodian); and (3) deposit balances (other than certificates of deposit (CDs) held at foreign-resident banks) of any maturity, and negotiable and nonnegotiable CDs issued by foreign-resident banks of any maturity (unless held in custody by a U.S.-resident depository or other U.S. custodian). Also included are (4) money market instruments (such as commercial paper) of an original maturity of 1 year or less not held by a U.S. custodian; (5) other short-term securities (of an original maturity of 1 year or less) held for investment or trading purposes that are held directly or in custody at a foreign custodian or directly with a foreign central depository; (6) lease payments receivable; and (7) brokerage balances, including cash and margin deposit claims on foreign residents.

1.2.4 Transactions in nonbank financial claims are presented in the following categories by instrument: Resale agreements; negotiable certificates of deposit; other short-term instruments (including money market instruments); deposits; and other claims. In the instrument categories, financial flows added from financial intermediaries' accounts collected on BEA's direct investment surveys, which are discussed below, are included in other claims. Financial flows added from the supplemental counterparty data, also discussed below, are included in deposits. Transactions for a given quarter represent the difference between outstanding amounts at the end of the current quarter and the end of the previous quarter. Transactions for foreign-currency-denominated claims are adjusted to remove the impact of changes in exchange rates on financial flows.

1.2.5 *Commercial claims* include trade receivables representing deferred receipts from sales of goods and services, and advance payments and other claims. Transactions in commercial claims are presented by instrument as trade receivables and as advance payments and other claims. Transactions for a given quarter represent the difference between outstanding amounts at the end of the current quarter and the end of the previous quarter, as reported on TIC Form CQ-2. Transactions for foreign-currency-denominated claims are adjusted to remove the impact of changes in exchange rates on financial flows.

1.2.6 *Liabilities.*—*Financial liabilities* of U.S. nonbanks reported on Form CQ-1 include (1) loans of any maturity (unless the loan has a U.S. depository institution or securities broker or dealer servicing the loan or serving as an administrative agent); (2) repurchase and similar financing arrangements (unless held in custody by a U.S.-resident depository institution or other U.S. custodian); and (3) overdrawn deposit account balances. Also included are (4) short-term securities (of an original maturity of 1 year or less) issued in foreign markets; (5) lease payments due; and (6) brokerage balances, including margin deposit liabilities to foreign residents.

1.2.7 Transactions in financial nonbank liabilities are presented in the following categories by instrument: Repurchase agreements, short-term instruments, and other liabilities. In the instrument categories, financial flows added from financial intermediaries' accounts and financial flows added from the supplemental counterparty data are included in other liabilities. Transactions for a given quarter represent the difference between outstanding amounts at the end of the current quarter and the end of the previous quarter. Transactions for foreign-currency-denominated liabilities are adjusted to remove the impact of changes in exchange rates on financial flows.

1.2.8 *Commercial liabilities* are presented by instrument as trade payables and advance receipts and other liabilities. Transactions for a given quarter represent the difference between outstanding amounts at the end of the current quarter and end of the preceding quarter, as reported on TIC Form CQ-2. Transactions for foreign-currency-denominated liabilities are adjusted to remove the impact of changes in exchange rates on financial flows.

1.2.9 *Financial intermediaries' accounts.*—Inter-company debt transactions of nonbank financial direct investors with foreign affiliated financial companies are reclassified from the direct investment to the nonbank accounts. These transactions are reclassified because they are akin to transactions of other financial intermediaries and to transactions of depository institutions, bank holding companies, and financial holding companies. As such, they are

deemed more in the nature of financial intermediation transactions than direct investment transactions, and are therefore grouped with similar transactions.

1.2.10 The reclassified accounts of U.S. nonbanks are designated as “financial intermediaries’ accounts” and are separately identified; they are defined strictly as transactions between firms in a direct investment relationship (that is, between U.S. parents and their affiliates or between affiliates and their foreign parent groups), where both the U.S. and foreign firms are classified in a finance industry (excluding insurance), but the firms are neither banks nor securities brokers. The definition of the finance industry is that contained in the North American Classification System (NAICS), which is the industry classification system used in BEA’s international and national accounts.

1.2.11 **Depository Trust Corporation data.**—Claims of U.S. nonbanks include, as a component of “financial intermediaries’ accounts,” additional estimates for claims associated with the issuance of asset-backed commercial paper (ABCP) that are not captured in BEA’s direct investment reporting system. In principle, funds raised by offshore special purpose vehicles (SPVs) should have been reported in BEA’s direct investment reporting system beginning in the early 2000s when many offshore structured investment vehicles (SIVs) and ABCP conduits set up 100 percent-owned affiliates in Delaware for the sole purpose of issuing ABCP in the U.S. market. The ABCP proceeds were then lent to offshore SPVs (parent corporations) which used the funds to purchase other assets; most of these borrowings were subsequently repaid in 2008–2009. In the absence of direct investment reporting for many SIVs, additional estimates of the intercompany debt transactions between Delaware affiliates and their offshore parents are estimated from Depository Trust Corporation (DTC) records for selected ABCP programs.

1.2.12 A proxy measure is used to capture intercompany debt transactions between Delaware affiliates and their offshore parents based on quarterly changes in U.S. ABCP outstanding for the affiliates as estimated from DTC records. If affiliates’ ABCP outstanding increased in the quarter, it is assumed affiliates had net lending to their foreign parents in the amount that ABCP increased. If ABCP outstanding de-

creased in the quarter, it is assumed that foreign parents repaid their Delaware affiliates. Many of these transactions were with parents in the Caribbean, the United Kingdom, and Ireland. The ABCP transactions are grouped with similar transactions in the category “financial intermediaries’ accounts.”

1.3 Supplemental data collected from foreign counterparties

1.3.1 **Supplemental counterparty data.**—The use of supplemental data from foreign banks in the nonbank accounts is necessary because bilateral comparisons between U.S. statistics and comparable statistics from foreign banks show that U.S. statistics, collected directly from U.S. nonbanks, underestimate the external claims and liabilities of U.S. nonbanks vis-à-vis foreign banks. The conclusion is based on comparisons of external claims and liabilities (covering mainly loans and deposits) of U.S. banks and nonbanks vis-à-vis foreign banks from U.S. statistics to the comparable external claims and liabilities (covering mainly loans and deposits) of foreign banks vis-à-vis U.S. banks and nonbanks from foreign banking statistics. The comparisons indicate that, over many years for selected countries, the U.S. statistics and the foreign banking statistics are often comparable for external positions between U.S. banks and foreign banks. However, when external positions between U.S. nonbanks and foreign banks are compared, the foreign banking statistics show consistently larger claims and liabilities than the U.S. statistics.

1.3.2 One explanation for the disparity is that banking statistics in the United States are generally of better quality than statistics collected from U.S. nonbanks because U.S. banks are more completely regulated and better integrated into statistical systems. By comparison, U.S. nonbanks are more numerous, diverse, and less regulated, so their transactions are more difficult to cover in statistical systems. Also, despite the significant enhancement in coverage achieved by the use of data from several sources, there is no assurance that the coverage of transactions is yet complete or accurate. Finally, U.S. nonbanks have grown rapidly in recent years both in the number and the scope of their financial intermediation activities. The pooling of assets and the subsequent sale to investors of claims on cash flows backed

by these asset pools was an important factor in the expansion of these transactions.

1.3.3 The foreign banking data are from the central banks of the United Kingdom, Germany, and France, from the Bank for International Settlements for the Netherlands, and from Federal Reserve reports for banks in the Caribbean. For banks in the Caribbean, data from a survey by the Federal Financial Institutions Examination Council (FFIEC 002s) and data collected on a survey by the Federal Reserve System (FR2502q) are added together. The FFIEC 002s survey collects data on claims and liabilities of non-U.S. branches that are managed or controlled by a U.S. branch or agency of a foreign bank. The FR 2502q collects similar data from non-U.S. branches of a U.S. commercial bank or Edge Act and Agreement corporation.

1.3.4 The foreign banking data cover loans and deposits denominated in U.S. and foreign currencies; negotiable instruments are excluded. Transactions computed for foreign-currency-denominated claims and liabilities are adjusted to remove the impact of changes in exchange rates on financial flows. No additional detail by maturity, instrument, or affiliation is available for the counterparty data.

1.3.5 Claims and liabilities of U.S. nonbanks vis-à-vis foreign banks compiled from the counterparty data are adjusted before inclusion in the accounts. BEA assumes that these positions and transactions are comprehensive and that all claims and liabilities vis-à-vis foreign banks reported directly by U.S. nonbanks to U.S. statistical agencies should be deducted to avoid double counts. The positions and transactions of the counterparty data remaining after adjustment are added to the other data collected directly by U.S. nonbanks.

1.3.6 Claims of U.S. nonbanks on foreign banks, compiled from the counterparty data for specific countries, are adjusted by deducting the following claims reported by U.S. nonbanks to U.S. statistical authorities vis-à-vis those countries: (1) Nonnegotiable deposits and other nonnegotiable claims on foreign banks reported by bank holding companies, financial holding companies, and securities brokers on TIC Form BC, (2) nonnegotiable deposit claims held in custody for banks' customers and reported on the TIC Form BQ-1, (3) intercompany debt claims of U.S. financial intermediaries on foreign affiliated financial intermediaries reported on BEA surveys of direct investment, and (4) nonnegotiable deposits and other nonnegotiable financial claims reported by U.S. nonbanks on TIC Form CQ-1.

1.3.7 Liabilities of U.S. nonbanks to foreign banks, compiled from the counterparty data for specific countries, are adjusted by deducting the following liabilities reported by U.S. nonbanks to U.S. statistical authorities vis-à-vis those countries: (1) Brokerage balances and other liabilities to foreign banks reported by bank holding companies and by securities brokers on TIC Form BL-1, (2) loan participations held in custody for banks' customers reported on TIC Form BL-2, (3) intercompany debt liabilities of U.S. financial intermediaries to foreign affiliated financial intermediaries reported on BEA surveys of direct investment, and (4) nonnegotiable financial liabilities reported by U.S. nonbanks on TIC Form CQ-1.

1.3.8 For each country, adjusted U.S. nonbank financial claims and liabilities compiled from the counterparty data for that country are added to financial positions compiled from data directly reported to U.S. statistical authorities in order to achieve more complete coverage of U.S. nonbank financial positions and transactions derived from them.