

Changes to Private Fund Reporting: What You Need to Know

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Agenda

- What is changing and why?
- What form do you file?
- What happens next?
- Any questions?

The Change

- **Simplify** how investments by or in private funds (PFs) are reported on Treasury International Capital (TIC) and BEA direct investment surveys
- PFs with characteristics of **portfolio** investment
 - Report on TIC surveys
- PFs with characteristics of **direct** investment
 - Report on BEA direct investment surveys

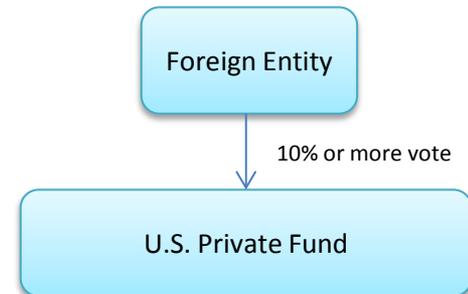
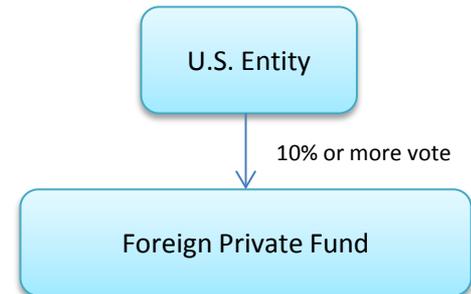
Current Requirements for PFs

BEA direct investment surveys

- U.S. entity has 10% or more voting* interest in a foreign PF
 - Forms BE-10, BE-11, and BE-577

- Foreign entity has 10% or more voting* interest in a U.S. PF
 - Forms BE-12, BE-15, BE-605, and BE-13

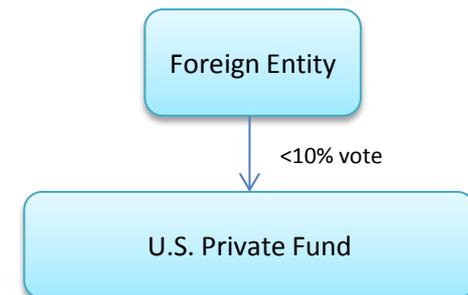
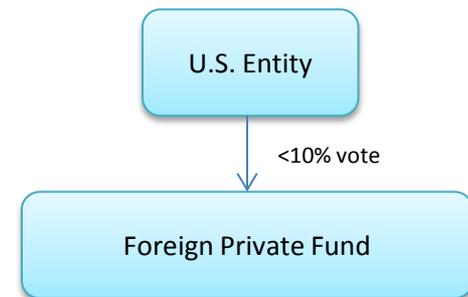
*General partner typically has 100% voting interest



Current Requirements for PFs

TIC portfolio investment surveys

- U.S. entity has less than 10% voting interest or a non-voting interest* in foreign PF
 - Forms SHC/SHCA, SLT, S
- Foreign entity has less than 10% voting interest or a non-voting interest* in U.S. PF
 - Forms SHL/SHLA, SLT, S

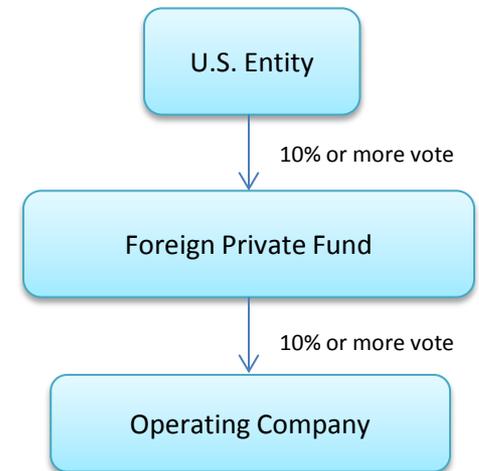


*Limited partners typically have no voting interest

Different Kinds of PFs

PFs that make direct investments

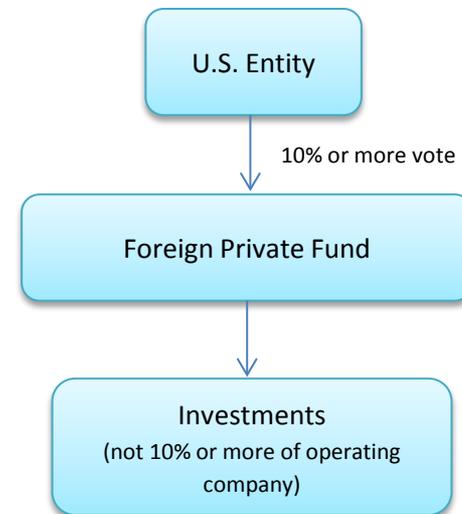
- Have 10% or more voting interest in an “operating company” (business that is not a PF or a holding company)
- Influence management and operations



Different Kinds of PFs

PFs that make only portfolio investments

- May invest in stocks, bonds, derivatives
- Do not have 10% or more voting interest in an “operating company” (company that is not a PF or a holding company)



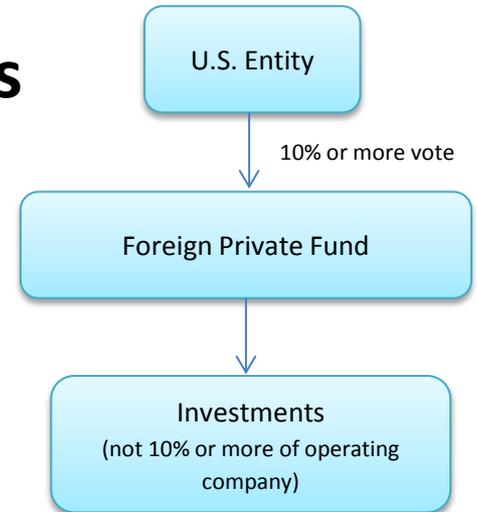
Change to PF Reporting

- U.S. entity with a 10% or more voting interest in a **foreign PF that only makes portfolio investments**

AND

- Foreign entity with a 10% or more voting interest in a **U.S. PF that only makes portfolio investments**

→ Will report the investment in the PF to
TIC rather than BEA

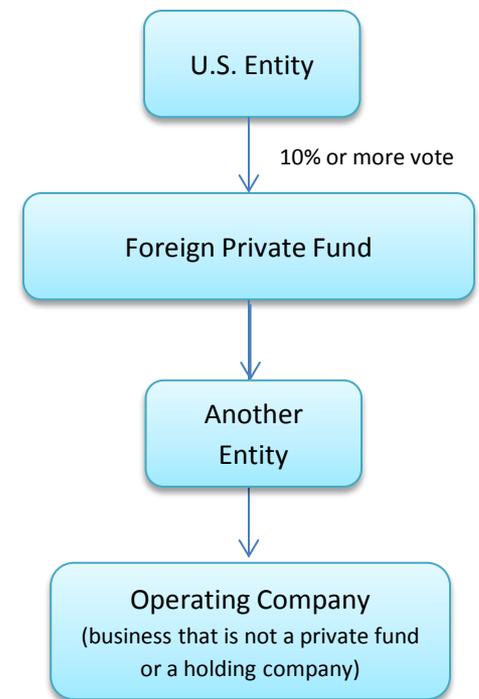


Better for You, Better for Us

- Significant reduction in respondent burden
- Easier to determine what form to file
- U.S. official economic statistics will have more meaningful portfolio investment and direct investment categories

What's Not Changing?

- Investments in PFs that make **direct** investments **continue to be reported to BEA**
 - If investor owns 10% or more voting interest in an “operating company” through a PF, all investment in and of the PF is reported to BEA
 - The “operating company” may be directly owned by the PF or indirectly through another entity
- BEA’s services surveys (BE-180, BE-185)

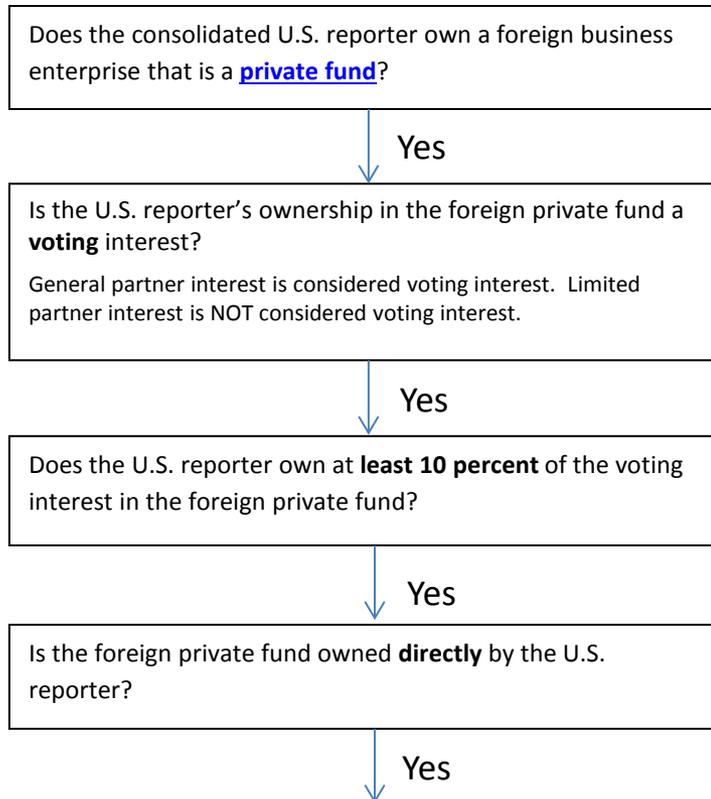
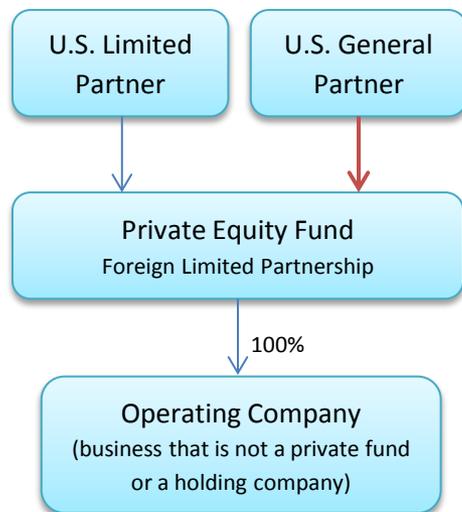


What to File?

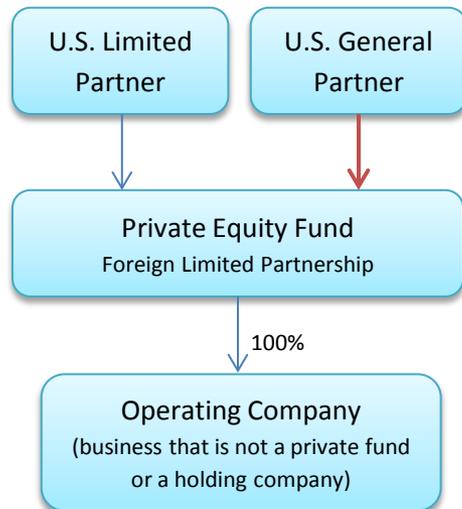
Answer a series of **easy questions** to determine what to file

- One questionnaire for U.S. investment in foreign PFs; one for foreign investment in U.S. PFs
- Will be available in interactive format on BEA's web site
- Draft "flowcharts" of questionnaires are available now at www.bea.gov/privatefunds

Example 1: Private Equity Fund (using Chart 1)



Example 1: Private Equity Fund (using Chart 1)



Does the **foreign private fund** own at least 10 percent of the voting interest in any other U.S. or foreign business enterprises?

Yes

Select the statement that best describes the U.S. and/or foreign business enterprises in which the foreign private fund has at least a 10 percent voting interest, either directly, or indirectly through another business enterprise:

1. ALL of the U.S. and/or foreign business enterprises are either private funds or [holding companies](#).
2. ONE OR MORE of the U.S. and/or foreign business enterprises is an “operating company” – i.e., a business enterprise that is not a private fund or a holding company.

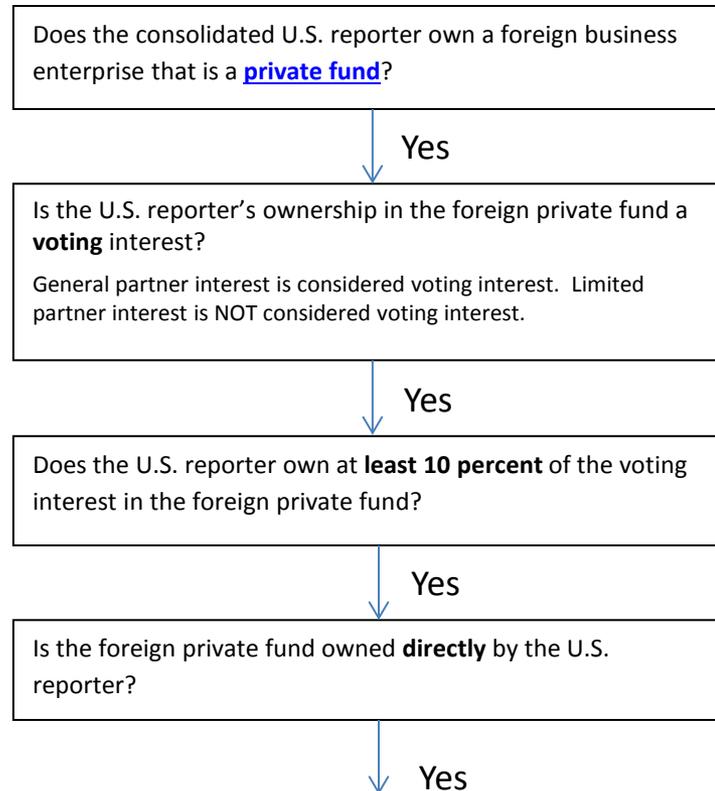
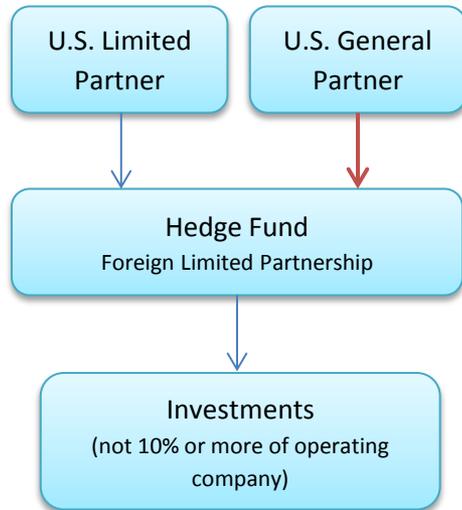
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Does the U.S. reporter own at least 10 percent of the voting interest of an “operating company” through the foreign private fund?

Yes

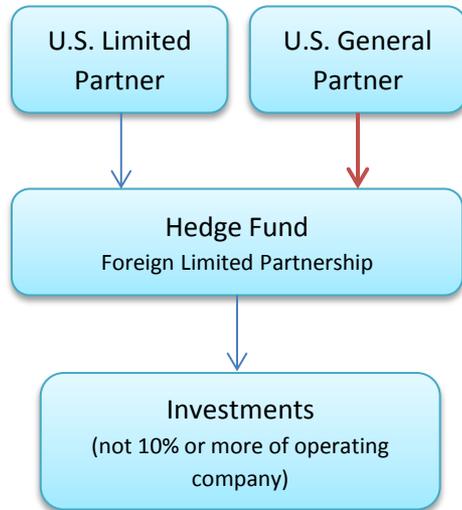
The U.S. reporter should include this foreign private fund on BEA surveys of U.S. direct investment abroad. The U.S. reporter must also include other foreign business enterprises that are in the same ownership chain as this foreign private fund (either above it or below it). Reporting requirements, survey forms, and instructions are available at www.bea.gov/dia.

Example 2: Hedge Fund (using Chart 1)



Example 2: Hedge Fund

(using Chart 1)



Does the **foreign private fund** own at least 10 percent of the voting interest in any other U.S. or foreign business enterprises?

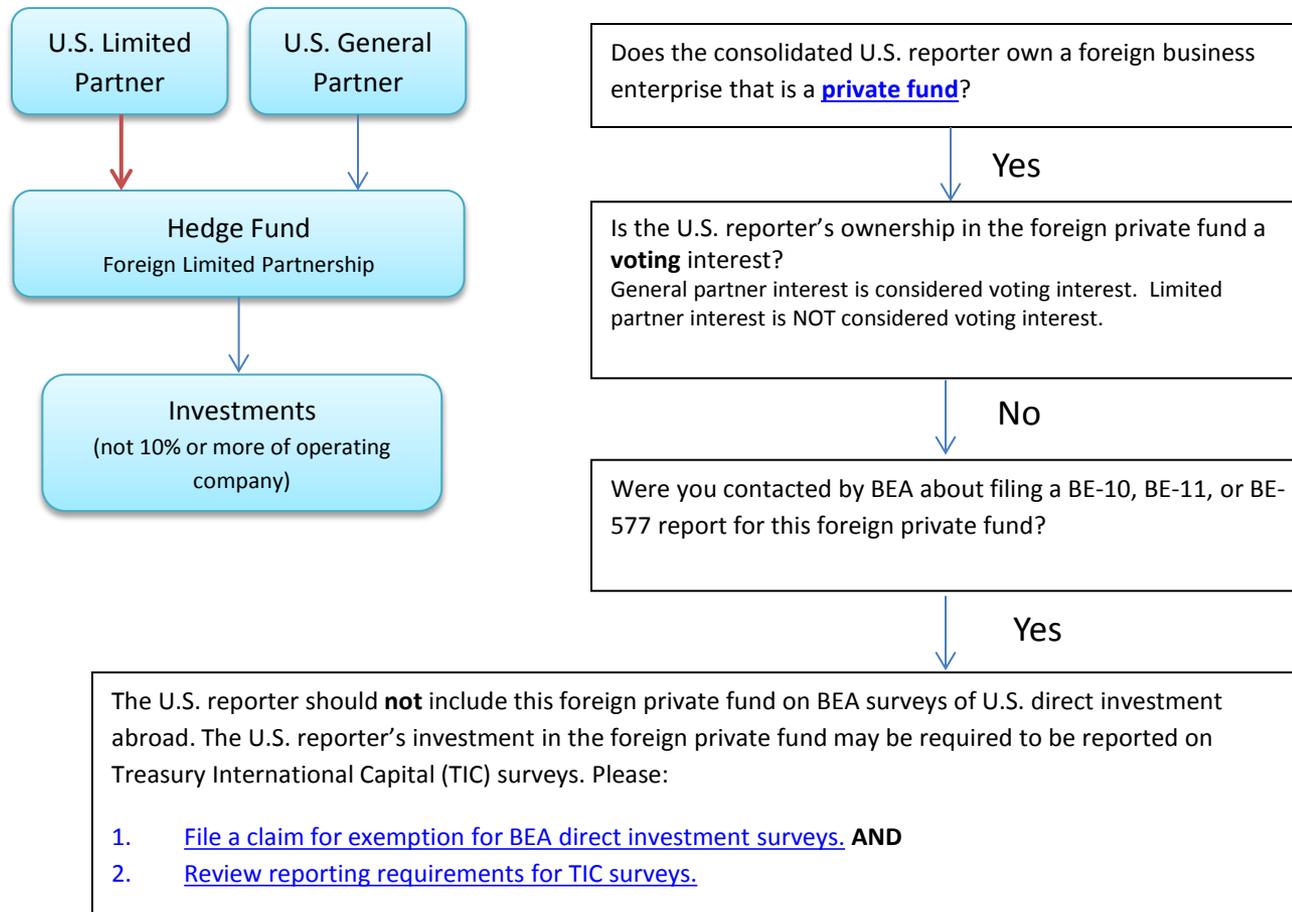
No

Were you contacted by BEA about filing a BE-10, BE-11, or BE-577 report for this foreign private fund?

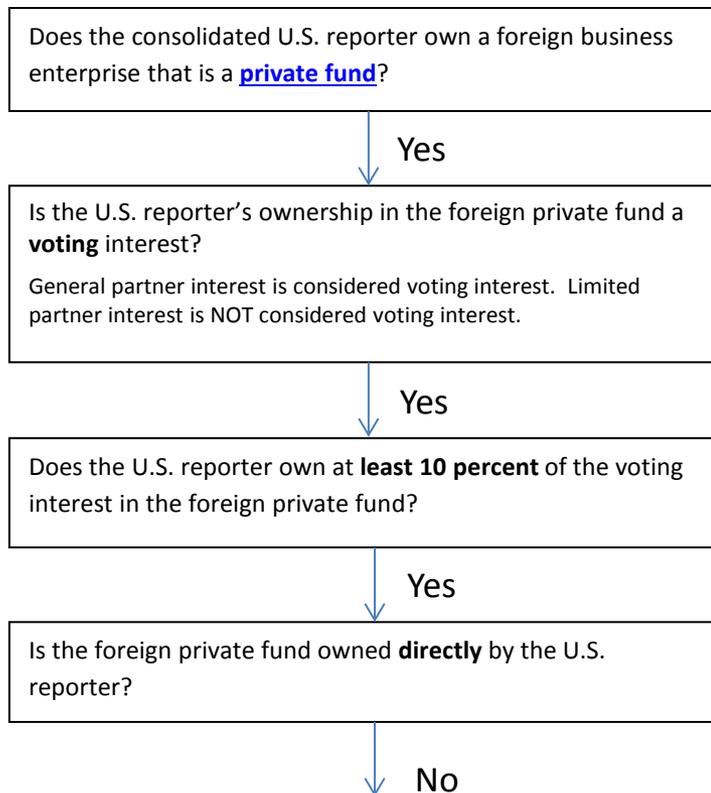
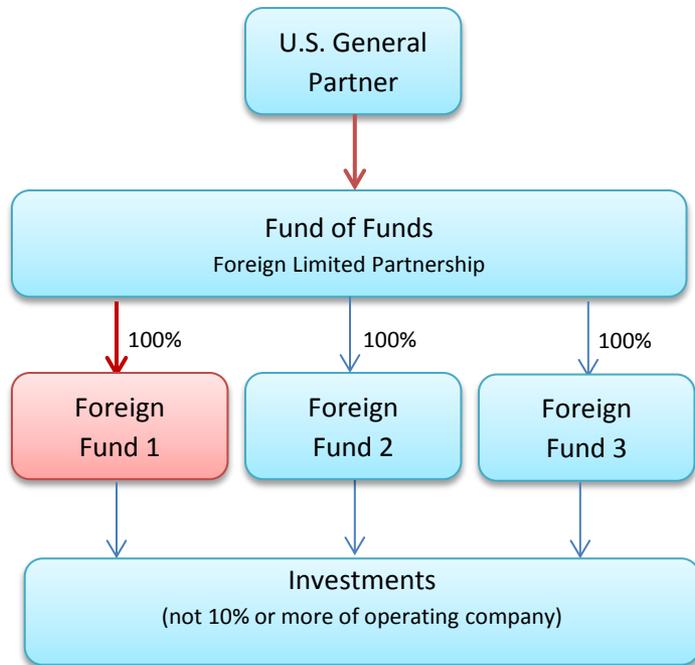
No

The U.S. reporter should **not** include this foreign private fund on BEA surveys of U.S. direct investment abroad. The U.S. reporter's investment in the foreign private fund may be required to be reported on [Treasury International Capital \(TIC\) Surveys](#).

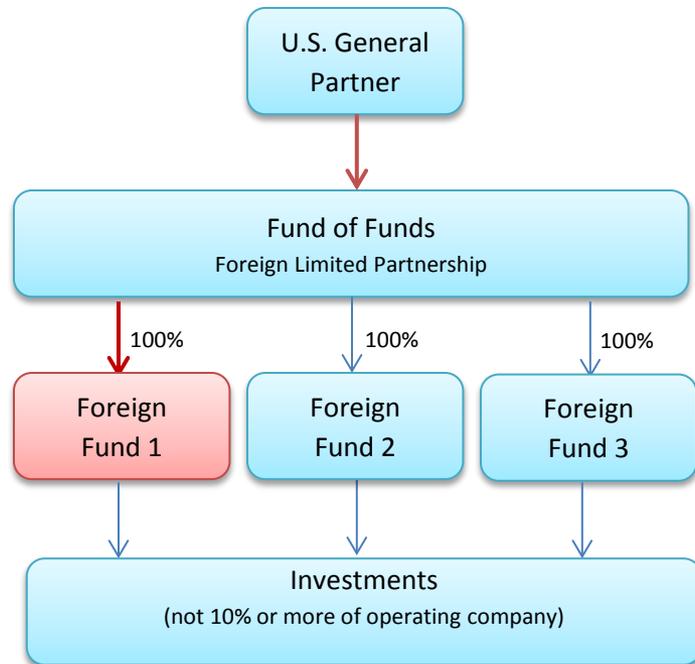
Example 3: Hedge Fund–Limited Partner Interest (using Chart 1)



Example 4: Fund of Funds (using Chart 1)



Example 4: Fund of Funds (using Chart 1)



Select the statement that best describes the foreign business enterprise(s) that are between the consolidated U.S. reporter and the indirectly-owned foreign private fund in the ownership chain:

1. ALL of the foreign business enterprises are private funds or [holding companies](#).
2. ONE OR MORE of the foreign business enterprises is an “operating company” – i.e., a business enterprise that is not a private fund or a [holding company](#).

1

Does the **foreign private fund** own at least 10 percent of the voting interest in any other U.S. or foreign business enterprises?

No

Were you contacted by BEA about filing a BE-10, BE-11, or BE-577 report for this foreign private fund?

No

The U.S. reporter should **not** include this foreign private fund on BEA surveys of U.S. direct investment abroad. The U.S. reporter’s investment in the foreign private fund may be required to be reported on [Treasury International Capital \(TIC\) Surveys](#).

Timetable

- Seek approval for change this summer
 - Public comment period
- BEA will notify potentially affected respondents in December 2016
 - Instructions for how to confirm that you no longer need to file BEA surveys
- Change will be implemented beginning with surveys conducted in 2017
 - First quarter 2017: BE-577, BE-605
 - Transactions completed 1/1/2017: BE-13
 - 2016 annual report: BE-11, BE-15

We Welcome Your Feedback

- The change to reporting requirements
- Clarity of flowcharts
 - Language
 - Substance (are there examples we haven't thought of)
- Questions on how the change will affect you

privatefunds@bea.gov

Questions about TIC Surveys:

SHC.Help@ny.frb.org

SHLA.Help@ny.frb.org