

Technical Note

U.S. Net International Investment Position First Quarter 2019, Year 2018, and Annual Update

June 26, 2019

Improved Reporting of U.S. Loan Liabilities to Foreign Collateralized Loan Obligations¹

The reporting instructions for two Treasury International Capital (TIC) forms, the TIC BL-2, “Report of Customers’ U.S. Dollar Liabilities,” and the TIC BQ-2 Part 2, “Report of Customers’ Foreign Currency Liabilities,” were recently updated to better capture U.S. syndicated loans that are owned by collateralized loan obligation (CLO) issuers legally resident in foreign countries. The update instructed U.S. trustees of foreign CLOs to begin reporting loans owned by the CLOs on the BL-2 and BQ-2 Part 2 and U.S. administrative agents of the CLOs to discontinue reporting such loans for reports as of the end of June 2018. This change was made because the U.S. trustees were expected to be able to report more comprehensively than the administrative agents.

The instruction update led to a substantial increase in BL-2 loan liability positions vis-à-vis the Cayman Islands (see table below). BQ-2 Part 2 positions were unaffected. The higher BL-2 positions represented a significant improvement in coverage of U.S. loan liabilities to foreign CLOs.

The increase in reported loan liabilities beginning in June 2018 is included in changes in volume and valuation n.i.e (not included elsewhere) in the decomposition of the change in other investment loan liabilities in 2018 (see line 58 in [IIP table 1.3](#); line 58 also includes changes in volume and valuation n.i.e. that are not due to CLOs). The increase due to the more accurate reporting is an example of a change in the investment position that must be excluded from financial transactions, price changes, and exchange-rate changes.

Effect of Improved Reporting on CLOs on TIC BL-2 Positions

[Billions of dollars]

	Effect on 2018:II positions
New reporting by CLO trustees	414.5
Discontinuation of reporting by CLO administrative agents	<u>-80.9</u>
Net effect	333.6

¹ Collateralized loan obligation (CLO) issuers are special purpose vehicles that buy loans and issue securities. The securities, which are commonly called CLO notes, are backed by the pool of underlying loans.