

INVESTMENT MANAGEMENT

REMINDER - FORM SHC: REPORT OF U.S. OWNERSHIP OF FOREIGN SECURITIES DUE MARCH 3, 2017

By: [Scott H. Moss, Esq.](#) and [Robert Bee, Esq.](#)¹

Lowenstein Sandler's Investment Management Group is pleased to provide you with (i) background information on the purpose and applicability of Form SHC ("Form SHC"); (ii) a summary of its contents; (iii) considerations for pooled investment vehicles such as hedge funds, private equity funds, and other alternative investment vehicles with respect to Form SHC; and (iv) information on its filing deadline.

Background

Form SHC: Report of U.S. Ownership of Foreign Securities, Including Selected Money Market Instruments is a quinquennial (recurring every five years) benchmark survey filed with the Federal Reserve Bank of New York. The Form SHC is part of the Coordinated Portfolio Investment Survey, an internationally coordinated effort to improve the statistics on the holdings of foreign portfolio securities by major investing countries. A U.S.-resident custodian of foreign securities or "end-investor" (a U.S.-resident organization holding investments in foreign securities for others or for its own portfolio, such as an investment manager or fund sponsor) is required to file this report if it (i) received notice from the Federal Reserve Bank of New York that it is required to file, or (ii) has holdings of foreign portfolio securities above the reporting thresholds (described below). A U.S.-resident person or organization required to file Form SHC must provide detailed security-by-security information on its holdings of foreign securities. Holdings known to be "direct investments" (10 percent or

more of the voting equity securities of an incorporated, or equivalent interest in an unincorporated, foreign business) are excluded from reporting on Form SHC.

Contents of Form SHC

Form SHC consists of three schedules, each with a different reporting requirement:

- **Schedule 1.** This schedule captures basic identifying information about the reporter and summaries of the data reported on Schedule 2 and Schedule 3. If a custodian or end-investor has received notice from the Federal Reserve Bank of New York that it is required to file, but it does not meet the reporting thresholds (described below), such a reporter would only need to provide basic identifying information and indicate its reporting status as "exempt."
- **Schedule 2.** This schedule captures detailed data regarding foreign securities (i) whose safekeeping the reporter manages for itself and for other U.S. residents; (ii) whose safekeeping the reporter has entrusted directly to foreign-resident sub-custodians or U.S.-resident or foreign-resident central securities depositories; or (iii) of a type for which there is no U.S. custodian to manage their safekeeping. Schedule 2 need be completed only if the total fair value (aggregated over all accounts) of such foreign securities is \$200 million or greater.

- **Schedule 3.** This schedule captures summary data regarding foreign securities entrusted to an unaffiliated U.S.-resident custodian (that is not a U.S.-resident central securities depository) by the U.S. parts of the reporter's organization and its U.S.-resident clients whom the reporter represents as an end-investor. The detailed security-by-security information with respect to such foreign securities will be reported on Schedule 2 of Form SHC submitted by the unaffiliated U.S.-resident custodian. Schedule 3 need be completed only if the total fair value (aggregated over all accounts) of such foreign securities is \$200 million or greater.

Impact on Hedge Funds, Private Equity Funds, and Other Alternative Investment Vehicles

Nonvoting equity interests in foreign-resident funds must be included as reportable equity securities on Form SHC by a U.S.-resident person or organization, if such person or organization has holdings of foreign portfolio securities above the reporting thresholds (described above). Accordingly, investment advisers, managers, or similar types of legal entities and fund sponsors that establish master-feeder fund structures both outside and inside the U.S. should report all portfolio investments between the U.S. and foreign-resident affiliate funds that the

investment manager has set up. That is to say, limited partnership interests in a Cayman master fund held by a U.S. feeder fund implicate Form SHC.

When to File

Form SHC, containing the reporter's Schedule 2 and Schedule 3 data as of December 31, 2016, must be filed with the Federal Reserve Bank of New York no later than March 3, 2017. As a reminder, Form SHC need only be filed by a U.S. custodian or end-investor who either (i) received notice from the Federal Reserve Bank of New York that it is required to file, or (ii) has holdings of foreign portfolio securities above the reporting thresholds (described above).

A copy of Form SHC and related instructions, as released by the Department of the Treasury, can be found [here](#).

Lowenstein Sandler's Investment Management Group is available to answer any questions relating to Form SHC and your business. Similarly, we can provide an analysis of whether your business entities have any Form SHC reporting obligations, as well as assist you with the preparation and filing of Form SHC.

contacts

Please contact any of the attorneys listed, or any other member of Lowenstein Sandler's Investment Management Group, for further information on the matters discussed here.

Scott H. Moss

646 414 6874
smoss@lowenstein.com

Robert Bee

973 597 2372
rbee@lowenstein.com

¹ Lowenstein Sandler Law Clerk [Scott Siegel](#) contributed to the preparation of this alert.

Follow us on [Twitter](#), [LinkedIn](#), and [Facebook](#).

www.lowenstein.com

New York Palo Alto Roseland Washington, DC Utah

© 2017 Lowenstein Sandler LLP.

This Alert has been prepared by Lowenstein Sandler LLP to provide information on recent legal developments of interest to our readers. It is not intended to provide legal advice for a specific situation or to create an attorney-client relationship. Lowenstein Sandler assumes no responsibility to update the Alert based upon events subsequent to the date of its publication, such as new legislation, regulations and judicial decisions. You should consult with counsel to determine applicable legal requirements in a specific fact situation.