

Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations

FR 2314 and FR 2314S

GENERAL INSTRUCTIONS

Who Must Report

The Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314/FR 2314S) must be filed by foreign subsidiaries of U.S. banking organizations (USBOs). Regulation K defines foreign or foreign country as one or more foreign nations, and includes the overseas territories, dependencies, and insular possessions of those nations and of the United States, and the Commonwealth of Puerto Rico.

The FR 2314/FR 2314S must be submitted for each legal entity subject to reporting requirements. Therefore, consolidation of individual entities is not permitted.

Unless otherwise instructed, the FR 2314/FR 2314S is to be submitted for any organization, also referred to as a “subsidiary,” described below *except* a corporation which itself is organized under Section 25 or 25A of the Federal Reserve Act.¹ For purposes of this report, “subsidiaries” include, but are not limited to:

- (1) Any organization which is a “subsidiary” as defined by Section 211.2(w) of Regulation K of the Board of Governors of the Federal Reserve System (see “Definitions”);
- (2) Any other subsidiary in which shares have been acquired under Regulation K where the Board’s consent to such acquisitions is conditioned on the furnishing of reports, and all subsidiaries of such organizations;
- (3) Any organization in which shares have been acquired, directly or indirectly, by a bank holding company under Section 4(c)(13) of the Bank Holding Company Act of 1956 (BHC Act), as amended, if such acquisition represents greater than 50 percent of this

1. Such Edge or agreement corporations report on the FR 2886b.

organization’s equity capital or if the Board’s consent to the acquisition is conditioned on the furnishing of reports;

- (4) Any subsidiary in which shares have been acquired, directly or indirectly, by a financial holding company under Section 4(k)(4) of the BHC Act, as amended by the Gramm–Leach–Bliley Act for bank holding companies or Section 10(c)(2)(H) of the HOLA for savings and loan holding companies, domiciled outside of the United States,² (except subsidiaries that are functionally regulated as discussed in the exemptions section below). Refer to the FR Y-9C Glossary entry for “Addressee (Domicile)” for the definition of domicile.
 - (5) Any other foreign organization directly or indirectly managed or controlled by, or operated on behalf of, a bank that is a member of the Federal Reserve System, a holding company, or any organization required to report under 1 through 4 above, *through management contracts, trust agreements, or similar instruments*.
- For purposes of this report, holding company is collectively used for bank holding company, savings and loan holding company, securities holding company, and U.S. intermediate holding companies.
- (6) Any domestic subsidiary of USBOs (principally held by an Edge or agreement corporation), that qualifies under Regulation K or Section 4 (c) (13) of the BHC Act, as amended (i.e., subsidiaries authorized to conduct overseas activities even if domiciled in the U.S.).

2. Any such organization domiciled in the United States should file either the Financial Statements of U.S. Nonbank Subsidiaries of Holding Companies (FR Y-11) or the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of Holding Companies (FR Y-11S) pursuant to the reporting threshold requirements for those reports.

General Instructions

⁴ Quarterly Filers—Detailed Report (FR 2314)

A USBO must file the FR 2314 quarterly for its subsidiary if the subsidiary is owned or controlled by a parent U.S. holding company that has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs, or the subsidiary is owned or controlled by a state member bank or an Edge or agreement corporation that has total consolidated assets equal to or greater than \$500 million, **and** the subsidiary meets **any one** of the following criteria:

- (1) Total assets of the foreign subsidiary are equal to or greater than \$1 billion;
- (2) The foreign subsidiary's off-balance-sheet activities³ are equal to or greater than \$5 billion;
- (3) The foreign subsidiary's equity capital is equal to or greater than 5 percent of the top-tier organization's consolidated equity capital; or
- (4) The foreign subsidiary's operating revenue is equal to or greater than 5 percent of the top-tier organization's consolidated operating revenue.

Operating revenue is defined as the sum of total interest income and total noninterest income, before deduction of expenses.

For foreign subsidiaries held by a USBO that is, in turn, owned by a foreign banking organization (FBO), the operating revenue and equity capital of the USBO are used as the top-tier organization's values.

If a foreign subsidiary meets the criteria above to file quarterly as of June 30 of the preceding year, the parent organization must file the FR 2314 quarterly for the subsidiary beginning in March of the current year. In addition, if the subsidiary meets the quarterly criteria due to being newly formed or a business combination, then the parent organization must report the FR 2314 quarterly beginning with the first quarterly report date following the effective date of the inception of the subsidiary or business combination, respectively.

³ Off-balance-sheet activities (defined as the sum of Schedule BS, items 20 through 30) include commitments to purchase foreign currencies and U.S. dollar exchange, all other future and forward contracts, option contracts, and the notional value of interest rate swaps, exchange swaps, and other swaps.

Once a nonbank subsidiary begins filing the FR 2314 quarterly, it should file a complete FR 2314 quarterly going forward. If the parent USBO is a holding company that has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs or a state member bank or an Edge or agreement corporation that has total consolidated assets equal to or greater than \$500 million, **and** the subsidiary does not meet any one of the other quarterly nonbank subsidiary filing criteria for four consecutive quarters, then the parent organization may revert to annual filing beginning with the first upcoming December report date.

Foreign subsidiaries that do not meet the quarterly filing thresholds may be requested to file quarterly if the Federal Reserve Bank has determined that these subsidiaries have significant risk exposures.

⁵ Annual Filers—Detailed Report (FR 2314)

A foreign subsidiary that does not meet any of the criteria to file quarterly, but has total assets greater than or equal to \$500 million and less than \$1 billion as of the report date must file the entire FR 2314 report on an annual basis.

⁶ Annual Filers—Abbreviated Report (FR 2314S)

A foreign subsidiary that does not meet the criteria to file the detailed report, but has total assets greater than or equal to \$250 million and less than \$500 million as of the report date must file the Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S) on an annual basis.

Other Reporting Criteria

- Each USBO must submit a separate FR 2314/FR 2314S for each of its foreign subsidiaries satisfying the above criteria whether directly or indirectly owned. The reporting USBO must submit a report on a parent only (non-consolidated) basis for each parent subsidiary meeting the criteria and submit individual reports for each lower level subsidiary required to file the report.
- Consolidation of individual entities, including variable interest entities (VIEs), is not permitted. Each USBO

⁴ For report dates through December 31, 2021, quarterly filing not required if nonbank subsidiary has total assets less than \$1 billion using the lesser of normal reporting applicability measurement date or 12/31/2019 as-of-date and does not meet any of other criteria to file quarterly.

⁵ For report dates through December 31, 2021, annual filing not required if nonbank subsidiary total assets was not greater than \$500 million and less than \$1 billion using the lesser of normal reporting applicability measurement date or 12/31/2019 as-of-date and does not meet any of other criteria to file quarterly.

⁶ For report dates through December 31, 2021, annual filing (abbreviated report) not required if nonbank subsidiary total assets was not greater than \$250 million and less than \$500 million using the lesser of normal reporting applicability measurement date or 12/31/2019 as-of-date and does not meet any of other criteria to file quarterly.

DRAFT