Supporting Statement for the
Financial Statements of Subsidiaries
(FR 2314, FR 2314S, FR Y-11, FR Y-11S, FR Y-7N, and FR Y-7NS; OMB No. 7100-0073)

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Financial Statements of Subsidiaries (OMB No. 7100-0073). This information collection comprises the following reports:

- Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314),[1]
- Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S),
- Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11),
- Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11S),
- Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7N), and
- Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7NS).

The FR 2314 reporting forms collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks (SMBs), Edge and agreement corporations, and holding companies (i.e., bank holding companies, savings and loan holding companies, securities holding companies, and intermediate holding companies) (collectively U.S. Banking Organizations (USBOs)). Parent organizations (SMBs, Edge and agreement corporations, or holding companies) file the FR 2314 on a quarterly or annual basis, or the FR 2314S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds. The data from the FR 2314 forms are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

The FR Y-11 reporting forms collect financial information for individual non-functionally regulated U.S. nonbank subsidiaries of domestic holding companies (HCs), which is essential for monitoring the subsidiaries' potential impact on the condition of the HC or its subsidiary banks. HCs file the FR Y-11 on a quarterly or annual basis, or the FR Y-11S on an annual basis, predominantly based on whether the organization meets certain asset size

[1] As part of this clearance, the Board cleared the FR 2314, FR 2314S, FR Y-11, FR Y-11S, FR Y-7N, and FR Y-7NS under the FR 2314 OMB control number 7100-0073. The FR Y-11 and FR Y-11S separate OMB control number 7100-0244 will be discontinued. The FR Y-7N and FR Y-7NS rows will be removed from OMB control number 7100-0125. This administrative change simplifies the tracking and clearance process for the six related forms. This change would not modify the reporting or recordkeeping requirements described in this supporting statement in any way. The information collection will be titled Financial Statements of Subsidiaries (FR 2314, FR 2314S, FR Y-11, FR Y-11S, FR Y-7N, and FR Y-7NS; OMB No. 7100-0073).

thresholds. The data from the FR Y-11 forms are used with other holding company data to assess the condition of HCs that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations.

The FR Y-7N and FR Y-7NS collect financial information for certain[2] non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company, financial holding company (FHC), or U.S. bank. For purposes of these reports, an FBO is a foreign bank that operates a branch, agency, or commercial lending company subsidiary in the United States; controls a bank in the United States; or controls an Edge corporation acquired after March 5, 1987.[3] FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually, predominantly based on asset size thresholds.

The Board revised the FR 2314 and FR Y-11 forms and instructions to be consistent with adopted changes to U.S. generally accepted accounting principles (GAAP) related to troubled debt restructurings (TDRs), provisions for credit losses on off-balance sheet credit exposures, and expected recoveries of amounts previously charged off included within the allowances for credit losses. The Board revised the FR 2314 and FR Y-11 instructions by modifying and clarifying the recordkeeping requirements related to the submitted form. These revisions will take effect for the March 31, 2025, as of date.

Additionally, the Board incorporated line items from the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079), into the FR 2314. These revisions will take effect beginning with the March 31, 2025, as of date.

Lastly, the Board removed the Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7N) and Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7NS) from OMB No. 7100-0125. These reports have been moved to the OMB No. for the Financial Statement of Foreign Subsidiaries of U.S. Banking Organizations, Financial Statement of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR 2314, FR 2314S, FR Y-11, FR Y-11S; OMB No. 7100-0073). There are no revisions to the FR 2314S and FR Y-11S at this time.

The current estimated total annual burden for this information collection is 28,024 hours, and would increase to 32,951 hours. The revisions resulted would result in an increase of 4,927 hours. The form and instructions are available on the Board's public website at https://www.federalreserve.gov/apps/reportingforms.

Background and Justification

The FR 2314 reports are the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign nonbank subsidiaries of U.S. banking organizations and the data are used to monitor the growth, profitability, and activities of these foreign companies. The data help the Federal Reserve identify present and potential problems of these

[2] Filing thresholds for each respective report are defined within the "Description of Information Collection" section of this document.
[3] 12 CFR 211.21(o).

companies, monitor their activities in specific countries, and develop a better understanding of activities within the industry and within specific institutions. This information, coupled with information from the Foreign Branch Reports of Condition (FFIEC 030; OMB No. 7100-0071), provides a picture of the breadth and scope of international banking operations for U.S. holding companies both individually and in the aggregate.

The FR Y-11 reports collect financial information for individual U.S. nonbank subsidiaries of domestic HCs, which is essential for monitoring the subsidiaries' potential impact on the holding company or its subsidiary banks' condition. Consolidated and parent company only data do not reveal the extent of the problems that may exist within the nonbank subsidiaries because the size and operations of bank subsidiaries can mask the operations of nonbank subsidiaries in a consolidated report.

In addition to providing information used in the supervision of holding companies, the FR Y-11 reports provide essential information to assist the Federal Reserve in the formulation of regulations and supervisory policies. The data are also used by the Federal Reserve to respond to requests from Congress and the public for information on holding companies.

The International Banking Act of 1978 (IBA) establishes a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the Bank Holding Company Act of 1956 (BHC Act). The Federal Reserve uses the data collected on the FR Y-7N and FR Y-7NS to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with applicable U.S. laws and regulations. This information is not available from other sources.

Description of Information Collection

The FR 2314 reports collect financial information for direct or indirect foreign subsidiaries of USBOs. The FR 2314 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. A USBO must file the FR 2314 quarterly, as of the last calendar day of March, June, September, and December, 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 if the USBO files the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) to meet supervisory needs; or if the subsidiary is owned or controlled by an SMB or an Edge or agreement corporation that has total consolidated assets equal to or greater than $500 million, and the subsidiary has (1) total assets of $1 billion or more, (2) total off-balance-sheet activities of at least $5 billion, (3) equity capital of at least 5 percent of the top-tier organization's consolidated equity capital, or (4) operating revenue of at least 5 percent of the top-tier organization's consolidated operating revenue. The FR 2314 is filed annually, as of December 31, for each individual subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least $500 million but less than $1 billion.

The FR 2314S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR 2314S is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing the FR 2314) with total assets of at least $250 million but less than $500 million.

Domestic HCs file the FR Y-11 reports for their U.S. nonbank subsidiaries. The FR Y-11 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. A top-tier HC must file the FR Y-11 quarterly for each nonbank subsidiary that it owns and controls if the top-tier HC 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 and the subsidiary meets any one of the following criteria: (1) total assets of $1 billion or more, (2) total off-balance-sheet activities of at least $5 billion, (3) equity capital of at least 5 percent of the top-tier holding company's consolidated equity capital, or (4) operating revenue of at least 5 percent of the top-tier HC's consolidated operating revenue. The FR Y-11 is filed annually, as of December 31, by top-tier holding companies for each individual nonbank subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least $500 million, but less than $1 billion.

The FR Y-11S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-11S is filed annually, as of December 31, by top-tier HCs for each individual nonbank subsidiary (that does not meet the criteria for filing the FR Y-11) with total assets of at least $250 million, but less than $500 million.

The FR Y-7N consists of an income statement and a balance sheet; schedules that collect information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet data items, and loans; and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries that do not have a primary U.S. regulator other than the Federal Reserve System. FBOs must commence quarterly reporting for a subsidiary at the end of the quarter in which the subsidiary meets the significance threshold, and must continue to file quarterly for the remainder of a calendar year even if the subsidiary no longer satisfies the size requirement for quarterly filing of the FR Y-7N. The FR Y-7N is filed annually, as of December 31, for each individual nonbank subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least $500 million.

The FR Y-7NS is an abbreviated reporting form that collects net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-7NS is filed annually, as of December 31, by top-tier FBOs for each individual nonbank subsidiary that does not have a primary U.S. regulator other than the Federal Reserve System (and does not meet the filing criteria for filing the FR Y-7N) with total assets greater than or equal to $250 million.

Respondent Panel

USBOs file the FR 2314 and FR 2314S for their foreign subsidiaries. U.S. HCs file the FR Y-11 and FR Y-11S for U.S. nonbank subsidiaries they own or control. The FR 2314S and

FR Y-11S provide burden relief to smaller entities, as abbreviated reporting is permitted with respect to entities with total assets of at least $250 million, but not greater than $500 million. Top-tier FBOs file the FR Y-7N and FR Y-7NS for each U.S. nonbank subsidiary it owns or controls.

Frequency and Time Schedule

The FR 2314 and FR Y-11 are filed quarterly and annually. The FR 2314S and FR Y-11S are filed annually. HCs are required to file the quarterly FR 2314 and FR Y-11 as of the end of March, June, September, and December, and must submit them within sixty days after the as of date. The annual FR 2314 and FR Y-11, FR 2314S, and FR Y-11S are filed as of December 31 and are also submitted within sixty days after the as of date. FBOs are required to file the FR Y-7N (quarterly or annually) and FR Y-7NS (annually) reports 60 calendar days after the report date.

Proposed Revisions to the FR 2314 and FR Y-11

Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Topic 326, "Financial Instruments – Credit Losses" (ASU 2016-13). Within Topic 326, paragraph 326-20-30-11 states: "[a]n entity shall report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management's current estimate of expected credit losses on off-balance-sheet credit exposures." Off-balance-sheet credit exposures include loan commitments, standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of Accounting Standards Codification (ASC) Topic 815 on derivatives and hedging.

Throughout Topic 326, the FASB refers to provisions for credit losses as "credit loss expense." For example, paragraph 326-20-30-1 states: "[a]n entity shall report in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses (ACL) for management's current estimate of expected credit losses on financial assets". Thus, Topic 326 does not prohibit recording the adjustment to the liability for expected credit losses on off-balance-sheet credit exposures within the provisions for credit losses reported in the income statement.

To align with GAAP, the Board has revised the FR 2314 and FR Y-11 instructions to direct USBOs and holding companies to report provisions for expected credit losses on off-balance-sheet credit exposures as part of the total amount of provisions for credit losses in Schedule IS, Income Statement, item 4, with respect to their foreign subsidiaries and U.S. nonbank subsidiaries, respectively. The inclusion of provisions for expected credit losses on off-balance-sheet credit exposures in the provisions for credit losses presented in Schedule IS, item 4, would cause a loss of transparency within the overall reported amount of provisions for credit losses between provisions attributable to on- and off-balance-sheet credit exposures. To enhance transparency and differentiate these provisions, the Board added Memorandum item 3, "Provisions for credit losses on off-balance-sheet credit exposures," to Schedule IS-B, "Changes in Allowances for Credit Losses," which would identify the portion of the overall amount of the provisions for credit losses reported in Schedule IS, item 4, attributable to the provisions for expected credit losses on off-balance-sheet credit exposures.

In addition, the Board revised footnote 3 on Schedule IS-B, item 4, "Provisions for credit losses," of the FR 2314 and FR Y-11 reporting form to reflect that the sum of item 4, Column A through Column C, plus Schedule IS-B, Memorandum items 1 and 3 must equal Schedule IS, item 4." These revisions to the FR 2314 and FR Y-11 will be effective as of March 31, 2025, and would be consistent with revisions adopted[4] for the Consolidated Financial Statements for Holding Companies (FR Y-9C, OMB No. 7100-0128).

Expected Recoveries of Amounts Previously Charged Off Included within the Allowances for Credit Losses

Within Topic 326, paragraph 326-20-30-1 states: "[t]he [ACL] is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Expected recoveries of amounts previously written off and expected to be written off shall be included in the valuation account and shall not exceed the aggregate of amounts previously written off and expected to be written off by an entity." The terms "written off," as used in Topic 326, and "charged off," as used in the FR 2314 and FR Y-11 instructions, are used interchangeably in this discussion.

Under GAAP, before an institution's adoption of Topic 326, expected recoveries of amounts previously written off would not be included in the measurement of the allowance for loan and lease losses; recoveries would be recorded only when received. Under Topic 326, including expected recoveries of amounts previously written off within allowances for credit losses reduces the overall amount of these allowances. Amounts related to an individual asset are written off or charged off when deemed uncollectible. However, under Topic 326, institutions can, in some circumstances, reduce the amount of the ACL that would otherwise be calculated for a pool of assets with similar risk characteristics that includes charged-off assets on the same day the charge-offs were taken by the estimated amount of expected recoveries of amounts written off on these assets. Reducing the ACL by amounts of expected recoveries prior to collection effectively "reverses" a charge-off.

Therefore, to align with GAAP and provide transparency for expected recoveries of amounts with inherently higher risk, the Board has added new line item, Memorandum item 4 to Schedule IS-B, "Changes in Allowances for Credit Losses," to capture the "Estimated amount of expected recoveries of amounts previously written off included within the ACL on loans and leases held for investment (included in item 6, column A, 'Balance end of current period,' above)." These revisions to the FR 2314 and FR Y-11 would be effective as of March 31, 2025, and would be consistent with revisions adopted[5] for the FR Y-9C.

[4] See 86 FR 92 (January 4, 2021).
[5] See 86 FR 92 (January 4, 2021).

Troubled Debt Restructurings and Vintage Disclosures

On March 31, 2022, the FASB issued ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" (ASU 2022-02), which eliminates the TDR recognition and measurement guidance for entities that have adopted[6] ASU 2016-13. Instead of identifying and accounting for TDRs separately from other loan modifications, all loans modified from the beginning of the fiscal year in which the new standard is adopted by a holding company would be accounted for in accordance with ASC 310-20-35, "Receivables–Nonrefundable Fees and Other Costs – Subsequent Measurement", as amended by ASU 2022-02. In addition, the new standard enhances financial statement disclosure requirements for certain loan modifications to borrowers experiencing financial difficulty. These disclosures include qualitative information regarding how initial modifications and subsequent performance of such modifications impact the allowance for credit losses.

Under ASU 2022-02, USBOs and HCs would only include loans that were modified to borrowers experiencing financial difficulty from the beginning of the fiscal year of adoption and in subsequent periods in their disclosures for financial statement purposes. TDRs or modifications made prior to the beginning of the fiscal year of adoption would not be included in these enhanced financial statement disclosures in the period of adoption or in any subsequent periods. Additionally, per ASU 2022-02, USBOs and HCs would not be required to use a discounted cash flow (DCF) approach to measure the allowance for credit loss on the modified loans. However, if a USBO or HC chooses to use a DCF approach, it would be required to use the post-modification expected interest rate to discount expected cash flows. Per ASC 326-20-35-5, "Investments – Financial Instruments-Credit Losses – Measured at Amortized Cost – Subsequent Measurement," modified loans for which repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty would still be considered to be collateral-dependent. For regulatory reporting purposes, the allowance for credit losses for a collateral-dependent loan would continue to be measured using the fair value of collateral (less cost to sell, when appropriate), regardless of whether foreclosure is probable.

ASU 2022-02 was effective for all USBOs and HCs, as of December 31, 2023, and eliminates the recognition and measurement accounting guidance for TDRs. USBOs and HCs, with respect to their foreign and U.S nonbank subsidiaries, should no longer report TDRs on Schedule BS-A, Loans and Lease Financing Receivable. To be consistent with GAAP recognition and disclosure requirements, the Board has revised the FR 2314 and FR Y-11 form and instructions to align with the definition of loan modifications to borrowers experiencing financial difficulty. Specifically, the Board is has replaced, as appropriate, references to "troubled debt restructurings" with "modifications to borrowers experiencing financial difficulty" in the FR 2314 and FR Y-11 forms and instructions. These changes would enable the Board to better understand the level of loan modification activity at holding companies. The Board would benefit from having reliable data about modification activity that is captured outside of the on-site examination process. This data would provide the Board with information to assess the loan quality and performance of modified loans.

[6] ASU 2016-13 was effective for all USBOs and HCs as of December 31, 2023.

The Board has revised the FR 2314 and FR Y-11 reporting form and instructions as discussed in detail below:

> <u>**Schedule BS-A, Loans and Lease Financing Receivables, item 7.d**</u> – USBOs and holding companies, with respect to their foreign and U.S nonbank subsidiaries, would continue to report detail on loan modifications to borrowers experiencing financial difficulty in Schedule BS-A, Loan and Lease Financing Receivables, item 7.d on the FR 2314 and FR Y-11. The modifications reported in item 7.d would need to meet the definition of "loan modifications to borrowers experiencing financial difficulty" as described in ASU 2022-02, which includes only those modifications which occurred in the previous 12 months.[7] Loan modifications to borrowers experiencing financial difficulty include financing receivables that had been modified in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay or a term extension (or a combination thereof). The FR 2314 and FR Y-11 forms and instructions would be updated to include references to "loan modifications to borrowers experiencing financial difficulty" and remove references to the TDR framework.

These items added to the FR 2314 and FR Y-11 would be effective as of March 31, 2025, and are consistent with items currently to be added to the FR Y-9C.[8]

Incorporate line items from the FR 2502q into the FR 2314

The FR 2502q collects data on the claims and liabilities with U.S.-resident and foreign-resident counterparties on the balance sheets of major foreign branches and large banking subsidiaries of U.S. head offices of bank holding companies, commercial banks and Edge and agreement corporations.[9] For the reporting purposes of the FR 2502q, large foreign branches are currently defined as those that file the Foreign Branch Report of Condition (FFIEC 030; OMB No. 7100-0071) with total assets, Schedule BS, item 11, of $2 billion or more. Large banking subsidiaries are defined as those that file the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; OMB No. 7100-0073) quarterly, have a banking charter, and have assets of $2 billion or more *and* deposits of $10 million or more, Schedule BS, item 10, and Schedule BS-M, item 6, respectively.

The Division of International Finance at the Board, along with other Federal government data users, such as the Bureau of Economic Analysis (BEA), a bureau of the Department of Commerce, have an interest in knowing the amounts of the claims and liabilities of U.S.-chartered banks with respect to residents of the U.S. The FR 2502q provides data about activities in foreign offices by location and type of offices that are unavailable from other reporting forms. For example, because banks' submissions that underlie the quarterly Federal Financial

[7] ASU 2022-02 requires disclosures on modifications to borrowers experiencing financial difficulty made "within the previous 12 months preceding the payment default when the debtor was experiencing financial difficulty at the time of the modification". See ASC 310-10-50-44, "Receivables – Overall – Disclosure – Modifications to Debtors Experiencing Financial Difficulty."

[8] See 89 FR 90284 (November 15, 2024).

[9] Prior to 2015, the FR 2502q collected a full geographic distribution of claims and liabilities from these respondents. However, data on individual foreign counterparty countries became redundant with the expansion of other international data collections.

Institutions Examination Council (FFIEC) Country Exposure Report (FFIEC 009; OMB No. 7100-0035) are consolidated on a worldwide basis, they do not indicate which particular offices are involved in lending to or borrowing from U.S. or foreign residents. In addition, the BEA uses FR 2502q data from the Memoranda section on branches of U.S. banks in its estimates of the U.S. International Transactions Accounts and the International Investment Position.

Following a 2015 revision that substantially reduced the size of the FR 2502q report, the Board has assessed its use of the remaining data collected in the FR 2502q and has determined that the data could instead be effectively collected through the FR 2314 and FFIEC 030, and that doing so would reduce overall respondent burden. The Board has added a new schedule with six new line items to the FR 2314 to collect the information currently collected by the FR 2502q. The title of the new schedule would be: “Schedule BS-Q, Due From, Due To, and Other.

Four of the new line items would provide a granular breakout of what is currently collected on Schedule BS, Balance Sheet, line items 9 and 16. Two of the new line items would be new to the FR 2314 information collection. Specifically, the Board has included the following line items in the new Schedule BS-Q, Due From, Due To, and Other:

Item 1a: Balances due from related institutions in the U.S.,
Item 1b: Balances due from related institutions in foreign countries,
Item 2a: Balances due to related institutions in the U.S.,
Item 2b: Balances due to related institutions in foreign countries,
Item 3: Assets that are claims on U.S. addressees other than depository institutions, and
Item 4: Liabilities to U.S. addressees other than depository institutions.

The Board, Office of the Comptroller, and Federal Deposit Insurance Corporation proposed similar revisions to the FFIEC 030 in a separate notice.[10] The Board expects to discontinue the FR 2502q effective as of March 31, 2025.

Clarification of Recordkeeping Requirements

The Board also modified and clarified the FR 2314 and FR Y-11 instructions to require paper and electronic filers to maintain in their files a physical or electronic scanned copy of the manually signed and attested FR 2314 and FR Y-11 submissions for a period of three years after submission. Currently, the instructions for the FR 2314 and FR Y-11 require respondents to maintain these records but do not specify the duration of the recordkeeping requirement. The three-year retention period is consistent with requirements for many other Board reports and is an appropriate time to ensure that examiners have access to the records during the period in which most issues regarding the reported information would likely arise.

Reassigning FR Y-7N and FR Y-7NS to OMB No.7100-0073

In 2002, the Federal Reserve revised the FR Y-7 and implemented the FR Y-7N, FR Y-7NS, and FR Y-7Q. Revisions to the FR Y-7 included: moving the risk-based capital reporting requirement to the FR Y-7Q and moving the data from U.S. nonbank subsidiaries held directly by a foreign parent to the FR Y-7N or FR Y-7NS. Currently, the FR Y-7N, FR Y-7NS,

[10] See 89 FR 3708 (January 19, 2024).

and FR Y-7Q share the same OMB Control Number (7100-0125). However, the FR Y-7N, FR Y-7NS, and FR Y-7Q have been extended with revision in unison, only 1 out of 12 proposals in the past 10 years. Typically, the FR Y-7N and FR Y-7NS are revised in tandem with the FR 2314 and FR Y-11 reports due to these reports collecting similar data, but from different respondents. Past proposed revisions to the FR Y-7Q typically only impacted the FR Y-7Q since there is not any similarity in the line items of the FR Y-7N and FR Y-7NS.

Therefore, following the completion of this clearance, forms FR Y-7N and FR Y-7NS will be reassigned to the OMB Control Number (7100-0073) for the FR 2314 and FR Y-11 reports. The FR Y-7Q will continue using its current OMB Control Number (7100-0125). Splitting the FR Y-7N and FR Y-7NS reports from the FR Y-7Q will assist the Board in being more efficient with clearing these information collections.

Public Availability of Data

The data from these reports are not published routinely.

Legal Status

The revisions to the FR 2314 and FR Y-11 series of reports do not implicate the existing legal authority to collect the relevant information. With respect to relevant holding companies, the FR 2314 and FR Y 11 series of reports are both authorized pursuant to section 5(c) of the BHC Act (12 U.S.C. § 1844(c)) (BHCs and IHCs), section 10(b)(2) of the Homeowners' Loan Act (12 U.S.C. § 1467a(b)(2)) (SLHCs), section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. § 5365) (IHCs), and section 618 of the Dodd-Frank Act (12 U.S.C. § 1850a) (securities holding companies). With respect to non-functionally regulated direct or indirect foreign subsidiaries of U.S. SMBs and Edge and agreement corporations, the FR 2314 series of reports is authorized by sections 9(6), 25(7), and 25A(17) of the Federal Reserve Act, respectively (12 U.S.C. §§ 324, 602, and 625). The obligation of covered institutions to report financial information through the FR 2314 and FR Y-11 series of reports is mandatory.

The FR Y-7N and FR Y-7NS are authorized by the BHC Act (12 U.S.C. § 1844(c)) and IBA (12 U.S.C. §§ 3105(c), 3106(c), and 3108). The FR Y-7N and FR Y-7NS are additionally authorized by section 165 of the Dodd-Frank Act (12 U.S.C. § 5365). The FR Y-7N and FR Y-7NS and are mandatory

The information collected through the FR 2314 and FR Y-11 series of reports is generally not considered confidential. However, to the extent particular data submitted by a covered institution is used by the Board to make discrete examination or other supervisory findings, such implicated data may be exempt from disclosure pursuant to exemption 8 of Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(8)). Additionally, to the extent that such information constitutes nonpublic commercial or financial information, which is both customarily and actually treated as private by the covered institution, the covered institution may request confidential treatment pursuant to exemption 4 of FOIA (5 U.S.C. § 552(b)(4)). Finally, to the extent that such information constitutes private, personal information, the covered institution may request confidential treatment on behalf of affected personnel pursuant to exemption 6 of FOIA, which covers personal information “the disclosure of which would constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. § 552(b)(6)). Application of any of these FOIA exemptions would be done on a case-by-case basis depending on the particular circumstances.

The information contained on the FR Y-7N and FR Y-7NS is generally not considered confidential unless an applicant requests confidential treatment in accordance with the Board’s Rules Regarding Availability of Information.[11] Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided on the FR Y-7N and FR Y-7NS may be exempt from disclosure pursuant to exemption 4 of the FOIA if it is commercial or financial information that is customarily and actually treated as private by the respondent (5 U.S.C. § 552(b)(4)). Submissions of the FR Y-7N and FR Y-7NS may also contain personnel and medical files the disclosure of which would constitute an unwarranted invasion of personal privacy of individuals involved, which are protected under exemption 6 of the FOIA (5 U.S.C. § 552(b)(6)); or information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, which are protected under exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On June 7, 2024, the Board published an initial notice in the *Federal Register* (89 FR 48639) requesting public comment for 60 days on the extension, with revision, of the FR 2314 and FR Y-11. The comment period for this notice expired on August 6, 2024. Board received one comment letter on the FR 2314 and FR Y-11 notice. Additionally, the Board did receive one comment regarding the Foreign Branch Report of Condition (FFIEC 030 and FFIEC 030S), however, the comment is not related to these collections. After considering the comments received, the Board is proceeding with the revisions to the FR 2314, FR Y-11, FR Y-7N, and FR Y-7NS as proposed, but with certain modifications. There are no changes to the FR 2314S and FR Y-11S. The specific comments, the Board’s responses, and pertinent modifications follow. On February 5, 2025, the Board published a final notice in the *Federal Register* (90 FR 9027).

Detailed Discussion of Public Comments

ASU 2022-02, “Financial Instruments-Credit Losses (Topic): Troubled Debt Restructurings and Vintage Disclosures”

The commenter is supportive of the proposed revisions to align the regulatory reporting of loan modifications to borrowers experiencing financial difficulty (LMBEFD) on the FR 2314,

[11] 12 CFR 261.17.

FR Y-11, and FR Y-7N in accordance with ASU 2022-02. The commenter specifically commended the Board for properly aligning the reporting standard to U.S. GAAP and current firm practices, which will allow for the collection of relevant information without undue regulatory reporting burden to institutions. The commenter also encouraged the Board to implement ASU 2022-02 across all regulatory reporting forms, including the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). In response, the Board is proceeding with these revisions as proposed to the FR 2314, FR Y-11, and FR Y-7N. The Board recently published in the *Federal Register,* a notice[12] to implement similar changes to the FR Y-9C, FR Y-9LP and FR 2886b. With regard to aligning the reporting of LMBEFD in accordance with ASU 2022-02 on the Call Report, the Office of the Comptroller of the Currency (OCC), Treasury; Federal Deposit Insurance Corporation (FDIC); and Board (collectively, the agencies) are continuing to evaluate the comments on their September 2023 proposal.[13] Upon conclusion of their review, the agencies will adopt a standard through a subsequent Paperwork Reduction Act (PRA) notice with a 30-day public comment period.

Incorporate line items from the FR 2502q into the FR 2314

The commenter is supportive of incorporating line items from the FR 2502q into the FR 2314. However, the commenter requested the Board to modify certain aspects of the proposal. First, the commenter urged the Board to limit the scope of respondents subject to the proposed Schedule BS-Q, “Due From, Due To, and Other” to those that meet the current criteria to file the FR 2502q. The commenter stated that there are significant scoping differences between the FR 2502q and FR 2314. The FR 2502q reporting is limited to branches and foreign subsidiaries with total assets of $2 billion or more and that are located in the United Kingdom (U.K.) or the Caribbean. The FR 2314 quarterly instructions state that a U.S. Banking Organization (USBO) must file the report quarterly for its foreign subsidiary if the parent U.S. holding company has total consolidated assets of $500 million or more or files the FR Y-9C, 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 several criteria[14]. The commenter stated that the FR 2314’s reporting scope, without the geographic limitation to branches in the U.K. and the Caribbean, results in a much greater reporting burden on firms.

Furthermore, this commenter also stated that the proposed changes and increased granularity of the items reported would necessitate both the development of new systems, as well as modifications to existing ones. This reporting burden would be greatest on respondents that

[12] See 89 FR 80244 (October 2, 2024)
[13] See 88 FR 66933 (September 28, 2023).
[14] A USBO must file the FR 2314 quarterly for its foreign subsidiary if the parent U.S. holding company has total consolidated assets of $500 million or more or files the FR Y-9C, 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 activities 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.

have newly scoped-in entities that would be reporting this information for the first time. In light of this, the commenter requested that, if the scope of respondents on the proposed FR 2314 Schedule BS-Q is not limited to those that currently meet the criteria to file the FR 2502q, branches would need at least four quarters from publication of the final forms and instructions to implement the revisions. However, if the scope were limited to branches that meet the current criteria to file the FR 2502q, branches would only need two additional quarters to implement the proposal.

The Board agrees with the commenter that broadening the criteria for reporting the proposed FR 2314 Schedule BS-Q beyond the current reporting criteria for the FR 2502q may impose additional burden on FR 2314 respondents. The draft notice would align the requirement to report the new items on the FR 2314 Schedule BS-Q with the current reporting requirements of the FR 2502q. Foreign subsidiaries that file the FR 2314 on an annual basis would not report the new items. The FR 2314 instructions would be updated to reflect the approved changes. Substantially restricting the scope of institutions required to complete Schedule BS-Q should additionally limit the burden incurred due to system revisions necessary to implement the revisions. Although the proposed line items would be new on the FR 2314, there would be fewer items reported and they would be at the same level of granularity as currently reported on the FR 2502q. However, the Board acknowledges that U.S. HCs and their foreign subsidiaries may need additional time initially to develop their reporting systems to implement these changes. As such, the Board will delay the requirement to complete Schedule BS-Q until March 31, 2025.

Other Comments Received

The commenter noted that the notice proposes to revise the instructions of FR 2314 and FR Y-11, Schedule IS, line item 4, “Provision for Credit Losses”, to instruct respondents to include provisions for credit losses on all financial assets and off-balance-sheet credit exposures. The commenter stated that, despite this proposed revision, contradictory language stating to “exclude provision for credit losses on off-balance-sheet credit exposures and provisions for allocated transfer risk, both of which should be reported in Schedule IS, line item 7, “Noninterest expense” remains in the current instructions of Schedule IS, line item 4, “Provisions for Credit Losses”. The commenter also noted that the current instructions of Schedule IS line item 7(a), “Pertaining to nonrelated organizations”, states to “report any provision for credit losses related to off-balance sheet credit exposures”.

Therefore, the commenter requested the Board to clarify and remove the requirement to exclude the provision for credit losses on off-balance sheet credit exposures from Schedule IS, line item 4, “Provisions for Credit Losses” and instead report on line item 7, “Noninterest expense”. In response to the commenter, the Board explicitly notes that provisions for credit losses on off-balance sheet and provisions for allocated transfer risk <u>should be</u> reflected in FR 2314 and FR Y-11 Schedule IS, item 4, “Provisions for Credit Losses” and excluded from Schedule IS item 7, “Noninterest expense”. This clarification is also applicable to FR Y-7N Schedule IS, items 4, “Provisions for Credit Losses” and 7, “Noninterest expense”. Therefore, the Board will update the instructions of FR 2314, FR Y-7N, and FR Y-11 Schedule IS items 4, “Provisions for Credit Losses” and 7, “Noninterest expense” accordingly.

The commenter seeks clarification on the treatment of proposed FR 2314 Schedule BS-Q line items 3, “Assets that are claims on U.S. addressees other than depository institutions” and 4, “Liabilities to U.S. addressees other than depository institutions”. The instructions of proposed Schedule BS-Q state to exclude balances with related institutions from line items 3, “Assets that are claims on U.S. addressees other than depository institutions” and 4, “Liabilities to U.S. addressees other than depository institutions”, while BS-Q, line items 1, “Balances due from related institutions, gross” and 2, “Balances due to related institutions, gross” represent balances due from and due to related institutions, gross as stated in the line item caption name. The commenter requested that Board revise the instructions to explicitly clarify that these balances reported in Schedule BS-Q line items 1, “Balances due from related institutions, gross” and 2, “Balances due to related institutions, gross” should be excluded when reporting the balances in line items 3, “Assets that are claims on U.S. addressees other than depository institutions” and 4, “Liabilities to U.S. addressees other than depository institutions”. In response, the Board will revise the instructions accordingly to explicitly clarify that balances with related institutions are excluded from BS-Q, line items 3, “Assets that are claims on U.S. addressees other than depository institutions” and 4, “Liabilities to U.S. addressees other than depository institutions”.

The commenter also stated that proposed revisions to the draft report forms of FR 2314 and FR Y-11, Schedule IS-B, Memoranda items M3 and M4 contain a reference to a footnote 6 following the name of the line items. However, there is no visible citation to footnote 6 on the draft report form. The commenter requested that footnote 6 be added and after release, respondents should have an opportunity to ask any relevant questions or comments on this item. In response to the commenter, Schedule IS-B, Memoranda items M3 and M4 should not reference footnote 6 following the name of the line items on the respective report forms. Therefore, the report forms will be updated accordingly to no longer reference footnote 6.

Lastly, the commenter requested clarity regarding what is meant by the statement that six line items from the FR 2502q would be incorporated into the proposed FR 2314 Schedule BS-Q, when it appears that only one line item is included. The commenter stated that, although there are six line items on the proposed FR 2314 Schedule BS-Q, only line items 3 and 4, which break out FR 2502q line item 1.c. are from the FR 2502q. In response to the commenter, the Board acknowledges that not all six line items that were proposed to be incorporated into the FR 2314 are explicitly from the FR 2502q. However, the intent of these new line items is to allow for the discontinuation of the FR 2502q and to support the supervisory data needs of the FR 2502q data users.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2314, FR 2314S, FR Y-11, FR Y-11S, and FR Y-7N, FR Y-7NS reports is 28,024 hours, and would increase to 32,951 hours with the revisions. The estimated number of quarterly FR 2314 and FR Y-11 respondents is based on data submitted for the June 30, 2023, as of date. The estimated number of annual FR 2314, FR 2314S, FR Y-11, and FR Y-11S respondents is based on data submitted for the December 31, 2022, as of date. The estimated number of quarterly FR Y-7N respondents is based on data submitted for the June 30, 2023, as of date. The estimated number of annual FR Y-7N and FR Y-7NS respondents is based on data submitted for the December 31, 2022, as of date. The revisions to the FR Y-7N and FR Y-7NS forms are described in the supporting statement for the FR Y-7Q OMB No. (7100-0125). The FR Y-7N and FR Y-7NS burden has been removed from that supporting statement and included in the table below. These reporting and recordkeeping requirements represent less than 1 percent of the Board's total paperwork burden.

FR 2314, FR 2314S, FR Y-11, FR Y-11S, FR Y-7N, FR Y-7NS	*Estimated number of respondents*[15]	*Estimated annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
Reporting				
FR 2314 (quarterly)	434	4	7.2	12,499
FR 2314 (annual)	223	1	7.2	1,606
FR 2314S	295	1	1	295
FR Y-11 (quarterly)	386	4	7.6	11,734
FR Y-11 (annual)	211	1	7.6	1,604
FR Y-11S	286	1	1	286
Current Total				28,024
Proposed				
Reporting				
FR 2314 (quarterly)	434	4	8.1	14,062
FR 2314 (annual)	223	1	7.9	1,762
FR 2314S	295	1	1	295
FR Y-11 (quarterly)	386	4	8.3	12,815
FR Y-11 (annual)	211	1	8.3	1,751
FR Y-11S	286	1	1	286
FR Y-7N (quarterly)	29	4	8.3	963
FR Y-7N (annual)	14	1	8.3	116
FR Y-7NS	13	1	1	13
Recordkeeping				
FR 2314 (quarterly)	434	4	0.2	347
FR 2314 (annual)	223	1	0.2	45
FR 2314S	295	1	0.2	59

[15] Of these respondents, 45 FR 2314 (quarterly), 152 FR 2314 (annual), 295 FR 2314S, 82 FR Y-11 (quarterly), 162 FR Y-11 (annual), 286 FR Y-11S, 0 FR Y-7N (quarterly), 12 FR Y-7N (annual), and 13 FR Y-7NS are considered small entities as defined by the Small Business Administration (i.e., entities with less than $850 million in total assets). Size standards effective March 17, 2023. See https://www.sba.gov/document/support-table-size-standards.

FR Y-11 (quarterly)	386	4	0.2	309
FR Y-11 (annual)	211	1	0.2	42
FR Y-11S	286	1	0.2	57
FR Y-7N (quarterly)	29	4	0.2	23
FR Y-7N (annual)	14	1	0.2	3
FR Y-7NS	13	1	0.2	3
Proposed Total				32,951
Change				4,927

The estimated total annual cost to the public for this information collection is $1,957,476, and would increase to $2,301,627 with the revisions.[16]

Sensitive Questions

This information collection contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these reports is $203,300.

[16] Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at $23, 45% Financial Managers at $84, 15% Lawyers at $85, and 10% Chief Executives at $124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2023*, published April 3, 2024, https://www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Standard Occupational Classification System, https://www.bls.gov/soc/.