

Board of Governors of the Federal Reserve System



Instructions for the Preparation of

Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations

Reporting Form FR Y-7N and FR Y-7NS

Effective ~~September 2021~~

December 2024

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General Instructions

All items will not be applicable to each nonbank subsidiary required to file the report. An “N/A” should be entered if the nonbank subsidiary cannot be involved in a transaction because of the nature of the organization. A zero should be entered whenever a nonbank subsidiary can participate in an activity, but may not, on the report date, have any outstanding balances.

Where to Submit the Reports

For paper filers of report form. The original report and the number of copies specified by the Reserve Bank should be submitted to the Reserve Bank where the FBO files its Annual Report of Foreign Banking Orga-

physical, or an electronic scanned

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All reports shall be made out clearly and legibly by typewriter or in ink. Reports completed in pencil will not be accepted. FBOs may submit computer printouts in a format identical to that of the report form, including all item and column captions and other identifying numbers.

FBOs must maintain in their files a copy of the manually signed page 1 of the Reserve Bank-supplied forms received for the report date, attached to the page(s) containing the detailed listing of subsidiaries, and a print out of the data submitted.

Electronic submission of report form. Any FBO interested in submitting the FR Y-7N and FR Y-7NS should contact the Federal Reserve Bank in the Reserve Bank where the FBO files its Annual Report of Foreign Banking Organizations (FR Y-7).

a physical, or electronic scanned copy of

FBOs choosing to submit these reports electronically must maintain in their files the original manually signed page 1 of the Reserve Bank-supplied forms received for the report date, attached to the page(s) containing the detailed listing of subsidiaries, and a printout of the data submitted.

Submission Date

A FBO must file this report for its nonbank subsidiaries no later than 60 calendar days after the report date. The filing of a completed report will be considered timely, regardless of when the reports are received by the appropriate Federal Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a company whose com-

for a period of three years following submission.

pleted FR Y-7N/FR Y-7NS is received late may be called upon to provide proof of timely mailing.

A “Certificate of Mailing” (U.S. Postal Service form 3817) may be used to provide such proof. If an overnight delivery service is used, entry of the completed original reports into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original reports on or before the submission deadline to the location to which the reports would otherwise be mailed is an acceptable alternative to mailing such reports. Companies that are unable to obtain the required officers’ signatures on their completed original reports in sufficient time to file these reports so that they are received by the submission deadline may contact the Federal Reserve Bank to which they mail their original reports to arrange for the timely submission of their report data and the subsequent filing of their signed reports.

If the submission deadline falls on a weekend or holiday, the report must be received by 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday. If the submission deadline falls on a Friday, the report must be received by 5:00 P.M. on the first business day after the Friday, Sunday, or holiday. If the submission deadline falls on a Friday, Sunday, or holiday, the submission deadline will be considered late unless it has been postmarked three calendar days prior to the original Saturday, Sunday, or holiday submission deadline (original deadline), or the institution has a record of sending the report by overnight service one day prior to the original deadline.

NOTE: A FBO must submit all of its required nonbank subsidiary reports on or before the submission deadline to be considered timely.

Monitoring of Regulatory Reports

Federal Reserve Banks will monitor the filing of all regulatory reports to ensure that they are filed in a timely manner and are accurate and not misleading. Many reporting errors can be screened through the use of computer validity edit checks which are detailed in the Checklist accompanying the reporting instructions. Additional information on the monitoring procedures are available from the Federal Reserve Banks.

Schedule IS

Line Item 1(a) Interest and fees on nonrelated organizations.

Report all interest, fees, and similar items from nonrelated organizations.

Line Item 1(b) Interest and fees on related organizations.

Report all interest, fees, and similar items from related organizations. Exclude interest and income from undistributed organizations (report in item 5) declared or paid by subsidiaries.

Line Item 1(c) Total interest income.

Report the sum of items 1(a) and 1(b).

Line Item 2 Interest expense.

Report in the appropriate subitem the total amount of interest expense of the subsidiary pertaining to nonrelated organizations in item 2(a) and pertaining to related organizations in item 2(b). Include expenses on deposits, on federal funds purchased and securities sold under agreements to repurchase, on short-term borrowings, on subordinated notes and debentures, on mandatory securities, on mortgage indebtedness and obligations under capitalized leases, and all other interest expense.

Line Item 2(a) Interest expense pertaining to nonrelated organizations.

Report all interest expense pertaining to nonrelated organizations.

Line Item 2(b) Interest expense pertaining to related organizations.

Report all interest expense pertaining to related organizations.

Line Item 2(c) Total interest expense.

Report the sum of items 2(a) and 2(b).

Line Item 3 Net interest income.

Report the difference between item 1(c), "Total interest income," and item 2(c), "Total interest expense." If this amount is negative, paper filers should enclose it in parentheses or report with a minus (-) sign. Electronic filers should report negative amounts with a minus (-) sign.

Line Item 4 Provision for credit losses.

Entities that have not adopted ASU 2016-13 should report the amount needed to make the allowance for loan and lease losses, as reported in Schedule BS, item 3(b), adequate to absorb expected loan and lease losses, based upon management's evaluation of the subsidiary's current loan and lease exposures. The amount reported must equal Schedule IS-B, item 4 column A, "Provision for credit losses."

Entities that have adopted ASU 2016-13, which governs the accounting for credit losses, report the amount expensed as the provisions for credit losses, during the calendar year-to-date. The provisions for credit losses represents the amount appropriate to absorb estimated credit losses over the life of the financial assets reported at amortized cost within the scope of the standard. *Exclude* the initial allowances established on the purchase of credit-deteriorated (PCD) financial assets, which are recorded at acquisition as an adjustment to the amortized cost basis of the asset. The amount reported in this item must equal Schedule IS-B, item 4, columns A through C plus Schedule IS-B, Memorandum item 1. Report negative amounts with a minus (-) sign.

Exclude provision for credit losses on off-balance-sheet credit exposures and provision for allocated transfer risk, both of which should be reported in item 7, "Noninterest expense." The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.

If the amount reported in this item is negative, paper filers should enclose it in parentheses or report with a minus (-) sign. Electronic filers should report negative amounts with a minus (-) sign.

Line Item 5 Noninterest income.

Report in the appropriate subitem all other income not properly reported in item 1(c), "Total interest income" that is derived from activities in which the subsidiary is engaged. Report noninterest income from nonrelated organizations in item 5(a) and from related organizations in item 5(b). Also, a subsidiary may include as other noninterest income in item 5(a)(7) or 5(b) below net gains (losses) from the sale of loans and certain other assets as long as the subsidiary reports such transactions on a consistent basis.

on all financial assets and off-balance-sheet credit exposures within the scope of the ASU.

Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures.

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LINE ITEM INSTRUCTIONS FOR

Changes in Allowance for Credit Losses

Schedule IS-B

General Instructions

This schedule has three columns for information on the allowances for credit losses, one for each of the following asset types: 1) loans and leases held for investment (Column A), 2) held-to-maturity debt securities (Column B), and 3) available-for-sale debt securities (Column C).

Entities that have not adopted ASU 2016-13, which governs the accounting for credit losses, report the reconciliation of the allowance for loan and lease losses on a calendar year-to-date basis in column A. Leave columns B and C blank. Entities that have adopted ASU 2016-13 report changes in the allowances for credit losses for loans and leases held for investment, held-to-maturity debt securities and available-for-sale debt securities in the applicable columns.

Report all changes in the allowance account on a year-to-date basis. When the subsidiary maintains an allowance for possible loan and lease losses, report all related transactions and reconcile, beginning with the balance reported at the end of the previous year, to the balance of the allowance shown in Schedule BS, Balance Sheet, Item 3(b), as of the end of the current period. The provision for possible loan and lease losses should correspond to the amount reported in Schedule IS, item 4, "Provision for loan or lease losses." Exclude transactions pertaining to reserves carried in capital accounts, such as reserves for contingencies that represent a segregation of undivided profits. Also exclude any allowance for credit losses on off-balance-sheet exposures.

Line Item 1 Balance most recently reported at end of previous calendar year.

Entities that have not adopted ASU 2016-13, include in column A the ending balance as most recently reported for the prior year end in the allowance for possible loan and lease losses account. The amount

must reflect the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

Line Item 2 Recoveries.

Entities that have not adopted ASU 2016-13, report the amount credited to the allowance for loan and lease losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for loan and lease losses.

Entities that have adopted ASU 2016-13, report the amount credited to the allowance for credit losses for recoveries during the calendar year-to-date on amounts previously charged against the allowance for credit losses.

Line Item 3 Less: Charge-offs.

Entities that have *not* adopted ASU 2016-13, report the amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date.

Entities that have adopted ASU 2016-13, report the amount charged against the allowance for credit losses during the calendar year-to-date.

Line Item 4 Provision for loan and lease losses.

Entities that have not adopted ASU 2016-13, report the amount expensed as the provision for loan and losses during the calendar year-to-date. The provision for loan and lease losses represents the amount needed to make the allowance for loan and lease losses adequate to absorb estimated loan and lease losses, based upon management's evaluation of the current loan and lease exposures. The amount reported in this item must equal Schedule IS, item 4. If the amount

Schedule IS-B

reported in this item is negative, report it with a minus (-) sign.

Entities that have adopted ASU 2016-13 should report in the appropriate column the amount expensed as the provision for credit losses during the calendar year-to-date. The provisions for credit losses represents the amount appropriate to absorb estimated credit losses over the life of the financial assets reported at amortized cost within the scope of the standard. The amount reported in this item must equal Schedule IS, item 4. If the amount reported in this item is negative, report it with a minus (-) sign.

Line Item 5 Adjustments.

Include any increase or decrease resulting from foreign currency translation of the allowance for possible loan and lease losses into dollars. If this amount is negative, paper filers should enclose it in parentheses or report with a minus (-) sign. Electronic filers should report negative amounts with a minus (-) sign.

Entities that have not adopted ASU 2016-13, report in column A of in this item as a negative the balance of the allowance for loan and lease losses most recently reported for the end of the previous calendar year.

Entities that have adopted ASU 2016-13, report in the appropriate columns for this item as a negative the balance of the allowances for credit losses on financial assets that are not determined by management to be PCD most recently reported for the end of the previous calendar year. For those assets determined by management to be PCD, the allowances for credit losses as of the acquisition date should then be reported as a positive number in the appropriate columns for this line item.

Line Item 6 Balance at end of current period.

Enter the total of items 1, 2, 4, and 5, minus item 3. This item must equal Schedule BS, item 3(b), "Allowance for Loan and Lease Losses."

Memoranda

Line Item M1 Provisions for credit losses on other financial assets measured at amortized cost (not included in item 4).

Report in this line item provisions related to allowances for credit losses on financial assets measured at amortized cost, included in Schedule IS, item 4, other than loans, leases, held-to-maturity debt securities and available-for-sale debt securities. Provisions for credit losses (or reversals of provisions) on these other financial assets measured at amortized cost represent the amounts necessary to adjust the related allowances for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these assets.

Exclude provisions for credit losses on off-balance sheet credit exposures, which are reported in Schedule IS item 7, "noninterest expense."

Line Item M2 Allowances for credit losses on other assets measured at amortized cost (not included in memorandum item 1 above).

Report in this line item total allowances related to credit losses on financial assets measured at amortized cost other than loans, leases, held-to-maturity debt securities and available-for-sale debt securities that are associated with the provisions reported in memorandum item 1, above.

← See Insert A

Line Item M3 Provisions for credit losses on off-balance-sheet credit exposures.

Report in this item the year-to-date amount of provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures included in the amount reported in Schedule IS, item 4. Provisions for credit losses (or reversals of provisions) on off-balance-sheet credit exposures represent the amounts necessary to adjust the related allowance for credit losses at the quarter-end report date for management's current estimate of expected credit losses on these exposures.

Line Item M4 Estimated amount of expected recoveries of amounts previously written off¹ included within the allowance for credit losses on loans and leases held for investment (included in item 6, column A, "Balance at end of current period").

Report in this item the estimated amount of expected recoveries of amounts previously written off included within the allowance for credit losses on loans and leases held for investment. This item applies to loans and leases held for investment, including purchased credit deteriorated loans held for investment, and does not apply to held-to-maturity debt securities or available-for-sale debt securities.

Expected recoveries of amounts previously written off shall be included in the allowance for credit losses and shall not exceed the aggregate of amounts previously written off and expected to be written off by an institution. However, exclude from this item the estimated amount of expected recoveries of amounts expected to be written off included in the allowance for credit losses.

In accordance with ASU 2016-13, estimated expected recoveries are a component of management's estimation of the net amount expected to be collected for a financial asset or a pool of financial assets if an institution can support an estimate of expected recoveries for a pool of unsecured loans, each of which was deemed uncollectible and fully written off on an individual asset basis, the institution reduces the allowance for credit losses by the institution's estimate of recoveries expected on a pool basis.

¹ The term "written off" as used in ASU 2016-13 and in the instructions for this item is used interchangeably with the term "charged off," which is used elsewhere in the FR Y-9C instructions.

Schedule BS

Borrowings may take the form of:

- (1) Promissory notes;
- (2) Perpetual debt securities that are unsecured and not subordinated;
- (3) Notes and bills rediscounted (including commodity drafts rediscounted);
- (4) Loans sold under repurchase agreements and sales of participations in pools of loans that mature in more than one business day;
- (5) Due bills issued representing the subsidiary's receipt of payment and similar instruments, whether collateralized or uncollateralized;
- (6) "Term federal funds" purchased;
- (7) Securities sold under agreements to repurchase;
- (8) Notes and debentures issued by the respondent subsidiary;
- (9) Mortgage indebtedness and obligations under capitalized leases with a remaining maturity of more than one year; and
- (10) Limited-life preferred stock. Limited life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock at a stated date.

Exclude all borrowings with related institutions. Report such borrowings in item 16.

Line Item 14 Other liabilities.

Report the total amount of all other liabilities that cannot be properly reported in items 11 through 13.

Include liabilities such as deposits held by the subsidiary, liability on acceptances outstanding, expenses accrued and unpaid, deferred income taxes (if credit balance), dividends declared but not yet payable, accounts payable (other than expenses accrued and unpaid), liability on deferred payment letters of credit, deferred gains from saleleaseback transactions, unamortized loan fees (other than those that represent an adjustment of the interest yield, if material), and reserves for credit risk on off-balance sheet items.

Also, report all derivatives with negative fair value held for purposes other than trading in this item. Exclude

all liabilities with related institutions. Report such liabilities in item 16.

Line Item 15 Liabilities to nonrelated organizations.

Enter the sum of items 11 through 14.

Line Item 16 Balances due to related institutions, gross.

Report all balances due to the top tier bank holding company or banking organization, all balances due to subsidiary banks (or their branches) or subsidiary bank holding companies of the top tier bank holding company, and all balances due to other subsidiaries of these organizations (including subsidiaries of the parent organization), on a gross basis.

Exclude all balances due from related institutions and include in item 9.

Line Item 17 Total liabilities.

Report the sum of items 15 and 16.

Line Item 18 Equity capital.

Equity capital represents the sum of capital stock, surplus, undivided profits, and various reserve accounts.

Line Item 18(a) Stock.

If the subsidiary is in corporate form, report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value, and the aggregate par or stated value of common stock issued.

If the subsidiary is not in corporate form, report the amount of general or limited partnership shares or interests issued in item 18(e).

Line Item 18(b) Surplus (exclude all surplus related to preferred stock).

If the subsidiary is in corporate form, report the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date. Exclude any portion of the proceeds received from the sale of limited-life preferred stock in excess of its par or stated value (report in item 13) or any portion of the proceeds received from the sale of perpetual preferred stock in excess of its par or stated value (report in item 18(a)).

Schedule BS-A

for personal expenditure purposes. This includes commercial banks in the U.S., foreign branches of U.S. banks and banks in foreign countries. Report the subsidiary's holdings of all bankers acceptances accepted by unrelated banks (i.e., banks that are not direct or indirect subsidiaries of the subsidiary's bank holding company or parent organization).

Exclude acceptances accepted by related banks (i.e., banks that are direct or indirect subsidiaries of the subsidiary's bank holding company or parent organization). Also exclude loans to foreign governments and foreign official institutions.

Line Item 3 Commercial and industrial loans.

Report all loans (regardless of domicile) for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment. These loans may take the form of direct or purchased loans. Include commercial and industrial loans guaranteed by foreign governmental institutions.

Exclude:

- (1) Loans secured by real estate (report in item 1);
- (2) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in item 5);
- (3) Loans to finance companies and insurance companies (report in item 5);
- (4) Loans to broker and dealers in securities, investment companies, and mutual funds (report in item 5);
- (5) Loans to depository institutions (report in item 2);
- (6) Loans to nonprofit organizations (report in item 5); and
- (7) Loans to nondepository financial institutions (report in item 5).

Line Item 4 Loans to individuals for personal, household, and other personal expenditures.

Report credit card and related plans and other loans to individuals for household, family, and other personal expenditures. Include all loans to individuals for house-

hold, family, and other personal expenditures that are not secured by real estate, whether direct loans or purchased paper. Exclude loans secured by real estate (report in item 1) and loans to individuals for the purpose of purchasing or carrying securities (report in item 5).

Line Item 5 All other loans and lease financing receivables.

Report all other loans held by the subsidiary that are not properly included in items 1 through 4 above and all lease financing receivables. Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the subsidiary for leasing purposes. These balances should include the estimated residual value of leased property and must be net of **modifications to borrowers experiencing financial difficulty**. U.S. official institutions.

Line Item 6 Total loans and lease financing receivables.

Report the sum of items 1 through 5.

Line Item 7 Past due and nonaccrual loans and leases.

Report the subsidiary loans and lease financing receivables included in item 6 above that are past due 30 through 89 days and still accruing in item 7(a), past due 90 days or more and still accruing in item 7(b), in nonaccrual status in item 7(c), and loans ~~restructured in troubled debt restructurings~~ included in past due and nonaccrual loans in item 7(d). Report the full outstanding balances of the past due loans and lease financing receivables, not simply the delinquent payments.

Line Item 7(a) Loans and leases past due 30 through 89 days.

Report loans and lease financing receivables that are contractually past due 30 through 89 days as to principal or interest payments, and still accruing. Include loans ~~restructured in troubled debt restructurings~~ past due 30 through 89 days and still accruing.

Line Item 7(b) Loans and leases past due 90 days or more.

Report loans and lease financing receivables that are contractually past due 90 days or more as to principal

Schedule BS-A

modifications to borrowers experiencing financial difficulty

or interest payments, and still accruing. Include loans restructured in troubled debt restructurings past due 90 days or more and still accruing.

Line Item 7(c) Nonaccrual loans and leases.

Report loans and lease financing receivables accounted for on a nonaccrual status. Include loans restructured in troubled debt restructurings that are in nonaccrual status. For purposes of this report, report loans and leases as being in nonaccrual status if: (a) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for a period of 90 days or more unless the obligation is both well-secured and in the process of collection.

NOTE: Loans to individuals for household, family, and other personal expenditures and loans secured by 1-4 family residential properties on which principal or interest is due and unpaid for 90 days or more are not required to be reported as nonaccrual loans. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the subsidiary's net income is not materially overstated. To the extent

that the subsidiary has elected to carry any loans in nonaccrual status on its books, such loans must be reported as nonaccrual in this item.

Line Item 7(d) Loans restructured in troubled debt restructurings included in items 7(a) through 7(c) above.

Report loans restructured in troubled debt restructurings that, under their modified terms, are past due 30 days or more and still accruing or are in nonaccrual status as of the report date. Such loans will have been included in items 7(a), 7(b), or 7(c) above. Loans restructured in troubled debt restructurings include those loans that have been restructured or renegotiated to provide a reduction of either interest or principal because of a deterioration in the financial position of the borrower. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered restructured debt. For further information, see the FR Y-9C Glossary entry for "troubled debt restructurings."

Include all loans to individuals for household, family, and other personal expenditures, and all loans secured by 1-4 family residential properties.

"Loan Modifications to Borrowers Experiencing Financial Difficulty."

For the purposes of this report, subsidiaries should disclose modifications to borrowers experiencing financial difficulty if such modifications include principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension (or a combination thereof).

Modified loans reported in this schedule should 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. The amounts reported should include modifications that were accounted for as new loans in addition to modifications that were accounted for as a continuation of existing loans.