

**Supporting Statement for the  
Reports of Foreign Banking Organizations  
(FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

**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 Reports of Foreign Banking Organizations (FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125). The FR Y-7N and FR Y-7NS collect financial information for certain<sup>1</sup> 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.<sup>2</sup> FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually, predominantly based on asset size thresholds. The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually.

The Board revised the FR Y-7N 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 also revised the FR Y-7N and FR Y-7NS instructions by modifying and clarifying the recordkeeping requirements of the submitted form. Lastly, the Board removed the FR Y-7N and FR Y-7NS from OMB No. 7100-0125 and transfer to the OMB control number 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/S, FR Y-11/S; OMB No. 7100-0073). The revisions will take effect for the March 31, 2025, as of date. There are no revisions to the FR Y-7Q at this time.

The current estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-7Q is 2,635 hours, and would decrease to 1,634 hours. The revisions would result in a decrease of 1,001 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms>.

**Background and Justification**

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

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<sup>1</sup> Filing thresholds for each respective report are defined within the "Description of Information Collection" section of this document.

<sup>2</sup> 12 CFR 211.21(o).

Reserve uses the data collected on the FR Y-7N, FR Y-7NS, and FR Y-7Q 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. In addition, the FR Y-7Q collects consolidated regulatory capital information from all FBOs, which the Federal Reserve uses to assess the FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

## **Description of Information Collection**

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<sup>3</sup> 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.<sup>4</sup> 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.

The FR Y-7Q collects consolidated capital and asset information from all FBOs. Part 1 of the reporting form currently collects the following information: tier 1 capital; total risk-based capital; risk-weighted assets; total consolidated assets; total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies; and total U.S. non-branch assets. In addition, an FBO that files the FR Y-7Q because it has made an effective election to be treated as an FHC also must provide separate capital schedules on Part 2 of the FR Y-7Q quarterly for each lower-tier FBO operating a branch, agency, Edge or agreement corporation, or commercial lending company in the United States. Part 1A of the FR Y-7Q is filed quarterly by FBOs if the top-tier FBO or any FBO in its tiered structure has made an effective election to be treated as an FHC and by FBOs with total consolidated assets of \$50 billion or more, regardless of FHC status. Part 1B of the FR Y-7Q is filed quarterly by FBOs with combined U.S. assets of \$100 billion or more, or combined U.S. assets of less than \$100 billion but total consolidated assets of \$250 billion or more. The

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<sup>3</sup> Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of \$5 billion or more, as of the end of a quarter.

<sup>4</sup> Certain filing thresholds related to the FR Y-7N and FR Y-7NS were modified for reporting periods through December 31, 2021. See 85 FR 77345 (December 2, 2020).

FR Y-7Q is filed annually if the FBO or any FBO in its tiered structure has not effectively elected to be an FHC and the FBO has total consolidated assets of less than \$50 billion.

### **Respondent Panel**

Top-tier FBOs file the FR Y-7N and FR Y-7NS for each U.S. nonbank subsidiary it owns or controls. The FR Y-7Q panel comprises top-tier FBOs.

### **Frequency and Time Schedule**

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. All FBOs are currently required to file the FR Y-7Q (quarterly or annually) within 90 calendar days after the report date.

### **Proposed Revisions to the FR Y-7N and FR Y-7NS**

#### *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(s).” 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 proposed to revise the FR Y-7N instructions to direct FBOs 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 U.S. nonbank subsidiaries. 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 proposes adding 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 proposed to revise footnote 3 on Schedule IS-B, item 4, “Provisions,” to reflect that the sum of item 4, Column A through Column C, plus Schedule IS-B, Memorandum items 1 and 4, must equal Schedule IS, item 4.” These proposed items to the FR Y-7N would be effective as of March 31, 2025, and would be consistent with revisions adopted<sup>5</sup> 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 FR Y-7N and FR Y-7NS 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 proposes to add 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).” This proposed revision to the FR Y-7N would be effective as of March 31, 2025, and would be consistent with revisions adopted<sup>6</sup> for the FR Y-9C.

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<sup>5</sup> See 86 FR 92 (January 4, 2021).

<sup>6</sup> 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.<sup>7</sup> 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 standard is adopted by an Edge 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, an FBO, with respect to its U.S. nonbank subsidiary, 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, an FBO, with respect to its U.S. nonbank subsidiary, 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 an FBO, with respect to its U.S. nonbank subsidiary, chooses to use a DCF approach, it must use the post-modification expected interest rate to discount expected cash flows. In addition, 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 are 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 FBOs, with respect to its U.S. nonbank subsidiaries as of December 31, 2023, and eliminates the recognition and measurement accounting guidance for TDRs. In order to promote consistence with these changes to GAAP, the Board proposed to no longer require Edges to report TDRs on FR Y-7N Schedule BS-A. To be consistent with GAAP recognition and disclosure requirements, the Board proposed to revise the FR Y-7N form and instructions to align with the definition of loan modifications to borrowers experiencing financial difficulty. Specifically, the Board is proposing to replace, as appropriate, references to “troubled debt restructurings” with “modifications to borrowers experiencing financial difficulty” in the FR Y-7N forms and instructions. These changes would enable the Board to better understand the level of loan modification activity at an FBO with respect to its U.S. nonbank subsidiary. 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.

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<sup>7</sup> ASU 2016-13 was effective for all FBOs, with respect to its U.S. nonbank subsidiaries as of December 31, 2023.

The Board proposed to revise the FR Y-7N reporting form and instructions as discussed in detail below:

**Schedule BS-A, Loans and Lease Financing Receivables, item 7.d** – An FBO with respect to its U.S. nonbank subsidiary, would continue to report detail on loan modifications to borrowers experiencing financial difficulty in FR Y-7N report Schedule BS-A, Loan and Lease Financing Receivables, item 7.d. 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.<sup>8</sup> 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 Y-7N form and instructions would be updated to include references to “loan modifications to borrowers experiencing financial difficulty” and remove references to the TDR framework.

These proposed changes would be effective as of March 31, 2025, and are consistent with the recently approved revisions to the FR Y-9C.<sup>9</sup>

#### *Clarification of Recordkeeping Requirements*

The Board also proposed to modify and clarify the FR Y-7N and FR Y-7NS 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 Y-7N and FR Y-7NS submissions for a period of three years after submission. Currently, the instructions for the FR Y-7N and FR Y-7NS require respondents to maintain these records but do not specify the duration of the recordkeeping requirement.

#### *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, and 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, 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.

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<sup>8</sup> 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.”

<sup>9</sup> See 89 FR 90284 (November 15, 2024).

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 Board does not publicly release information collected through the FR Y-7N, FR Y-7NS, and FR Y-7Q reports.

### **Legal Status**

The FR Y-7N, FR Y-7NS, and FR Y-7Q are authorized by the BHC Act (12 U.S.C. § 1844(c))<sup>10</sup> and IBA (12 U.S.C. §§ 3105(c), 3106(c), and 3108).<sup>11</sup> The FR Y-7N, FR Y-7NS, and FR Y-7Q are additionally authorized by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 5365).<sup>12</sup> The FR Y-7N, FR Y-7NS, and FR Y-7Q are mandatory.

The information contained on the FR Y-7N, FR Y-7NS, and FR Y-7Q is generally not considered confidential unless an applicant requests confidential treatment in accordance with the Board's Rules Regarding Availability of Information.<sup>13</sup> Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided on the FR Y-7N, FR Y-7NS, and FR Y-7Q may be exempt from disclosure pursuant to exemption 4 of the Freedom of Information Act (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, FR Y-7NS, and FR Y-7Q 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.

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<sup>10</sup> Authorizing the Board to require bank holding companies and subsidiaries to submit reports on their financial condition and compliance with federal law.

<sup>11</sup> Authorizing the Board to extend the reporting requirements of the BHC Act to branches, agencies, and affiliates of FBOs, including nonbanks.

<sup>12</sup> Directing the Board to establish enhanced prudential standards for certain companies, including certain FBOs.

<sup>13</sup> 12 CFR 261.17.

## **Public Comments**

On June 7, 2024, the Board published an initial notice in the *Federal Register* (89 FR 48641) requesting public comment for 60 days on the extension, with revision, of the FR Y-7N, FR Y-7NS, and FR Y-7Q. The comment period for this notice expired on August 6, 2024. The Board did not receive any comments. The Board adopted the extension, with revision, of the FR Y-7N, FR Y-7NS, and FR Y-7Q as originally proposed. On February 5, 2025, the Board published a final notice in the *Federal Register* (90 FR 9027).

## **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-7Q is 2,635 hours, and would decrease to 1,634 hours with the revisions. 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 quarterly FR Y-7Q respondents is based on data submitted for the March 31, 2023, as of date. The estimated number of annual FR Y-7N and FR Y-7NS, and FR Y-7Q 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 now included in the burden table for the FR 2314 and FR Y-11 reports (OMB No. 7100-0073), and have been removed from the burden table below. That removal resulted in the net decrease in total burden hours. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

<b>FR Y-7N, FR Y-7NS, and FR Y-7Q</b>	<i>Estimated number of respondents<sup>14</sup></i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
FR Y-7N (quarterly)	29	4	7.6	882
FR Y-7N (annually)	14	1	7.6	106
FR Y-7NS	13	1	1	13
FR Y-7Q (quarterly)	122	4	3.25	1,586
FR Y-7Q (annually)	19	1	2.5	<u>48</u>
<i>Current Total</i>				2,635
<b>Proposed</b>				
FR Y-7Q (quarterly)	122	4	3.25	1,586
FR Y-7Q (annually)	19	1	2.5	<u>48</u>
<i>Proposed Total</i>				1,634
<i>Change</i>				(1,001)

The estimated total annual cost to the public for this information collections is \$184,055, and would decrease to \$114,135 with the revisions.<sup>15</sup>

### **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 this report is \$129,000.

<sup>14</sup> Of these respondents, none 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>.

<sup>15</sup> 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/>.