The Annual Report of Foreign Banking Organizations (FR Y–7) and the Foreign Banking Organization Confidential Report of Operations (FR 2068) are filed as of the end of the reporter's fiscal year. These reports are filed by all foreign banking organizations that engage in the business of banking in the United States. The FR Y–7 collects information on the structure of their activities in the United States, as well as the following financial and managerial information: financial statements prepared in accordance with home country accounting principles and practices; separate financial statements for U.S. nonbanking subsidiaries; an organization chart reflecting investments in U.S. companies and foreign companies that do business in the United States; disclosure of large shareholders of registered shares and disclosure of known large shareholders of bearer shares; a list of officers and directors; information to determine continuing eligibility as a qualified foreign banking organization under sections 2(h) and 4(c)(9) of the Bank Holding Company Act; and information on U.S. banking and nonbanking activities.

A foreign banking organization is currently exempt from filing the FR 2068 if it meets certain criteria related to the size and type of its U.S. banking operations. This report collects information that enables the Federal Reserve System to carry out its responsibilities by assessing the impact of the worldwide operations of a foreign banking organization on its U.S. banking business. The FR 2068 currently requires disclosure of revenues and expenses as calculated in accordance with local accounting practices; it also requests an explanation or general description of the accounting practices used in the recognition and the timing of revenue and expense items. The report requests disclosure of loan loss experience, asset quality, gains and losses on securities, and hidden reserves not disclosed in the FR Y-7. The report provides flexibility to enable a foreign banking organization to submit requested information in a manner that will not impose any undue burden.

The FR 2068 also collects financial data on non-U.S. subsidiaries. The report requires financial statements on all majority-owned, unconsolidated, material foreign subsidiaries. The report requires that foreign banking organizations with investments of between 25 and 50 percent in material foreign companies provide financial data detailing the total assets, total stockholders' equity, and net income of such companies.

Finally, the FR 2068 requires that reporters provide an organization chart that details all foreign companies that the foreign banking organization directly or indirectly owns, controls, or holds with power to vote 25 percent or more of any class of voting stock. This requirement differs from the organization chart required by the FR Y–7 in that the FR Y–7 is limited to all related U.S. companies and foreign companies that engage in business in the United States. In the instructions for both reports, foreign banking organizations are advised that they must request alternative reporting criteria when the specific reporting requirements would result in undue burden or expense or when the information is otherwise unavailable in the requested format.

Proposed Revisions

The Federal Reserve proposes the following revisions to the FR Y–7 report.

(1) Move information collected in Section II of the current FR Y–7, Activities Conducted in the United States, to a new report: the FR Y–7A, Structure Report on U.S. Banking and Nonbanking Activities, containing two report items: U.S. Banking Activities and U.S. Nonbanking Activities. Existing reporters would complete the FR Y–7A as of December 31, 1994; new FR Y–7 filers would complete the FR Y– 7A at the time of their first filing. Subsequent changes would be reported within 30 days of the change.

As a result, the FR 4002, Notification Pursuant to Section 211.23(h) of Regulation K on Acquisitions by Foreign Banking Organizations (OMB No. 7100– 0100), will no longer be needed.

(2) Add a new schedule to the FR Y– 7 report item 1, Financial Statements, that breaks out the details of a foreign banking organization's risk-based capital computations. Foreign banking organizations would have the option of providing this information in the FR 2068. For banks from countries that do not follow a risk-based capital format, information on their capital computations, as required by the home country banking supervisor(s), would be required.

(3) Include with report item 1 copies of the foreign banking organizations' most recent 20–F filing with the SEC, if applicable.

(4) Replace the existing free form financial statements for U.S. nonbank subsidiaries with specific schedules to gather core financial information that will be processed electronically. The

proposed reporting format will include a principal schedule consisting of thirtyone balance sheet and income statement items (such as loans, securities, assets, capital, and income) and four supporting schedules. U.S. nonbanking subsidiaries with total assets of more than \$1 billion would complete the principal and supporting schedules; U.S. nonbanking subsidiaries with total assets between \$150 million and \$1 billion would complete only the principal schedule; and U.S.nonbanking subsidiaries with total assets of less than \$150 million would respond to only four core items: total assets, equity capital, net income, and total offbalance-sheet items.

(5) Eliminate report item 5B which currently requires foreign banking organizations to report the ownership of shares by directors and officers of the foreign banking organization in that organization and each related company.

(6) Expand the organization chart to identify U.S. companies that are owned by individuals who own 25 percent or more of the foreign banking organization.

(7) Add several questions that require a yes or no response to assist the respondents in providing a complete report. These include questions relating to certification and consolidation of financial statements, home country requirements regarding the Basle Capital Accord and changes, if any, in accounting policies, and ownership of nonbank subsidiaries since the most recent filing of the FR Y–7.

(8) Add a glossary as part of the FR Y–7 and FR 2068 instructions, and require that the general discussion provided by respondents of the accounting principles used in the preparation of the initial submission of the FR Y–7 be updated by all respondents every five years, beginning with the 1995 fiscal year filing.

The Federal Reserve proposes the following revisions to the FR 2068 report.

(1) Eliminate the filing exemption for those foreign banking organizations with small U.S. operations. The exemption was made several years ago under the premise that "small" organizations, because of their size, would not pose a threat to the financial system. The Federal Reserve no longer supports this premise.

(2) Eliminate the "Earnings" item on the current page 5.

(3) Collect information on past due loans in a more comprehensive and consistent format.

(4) As with the FR Y–7, expand the organization chart to include non-U.S. companies that are owned by