basis. Respondents that are SEC reporters must include a copy of SEC form 20-F (OMB No. 3235-0288) with the FR Y-7. The SEC form 20-F is similar to SEC form 10-K (Annual Report Pursuant to Sections 13 and 15(d) of the Securities and Exchange Act of 1934; OMB No. 3235-0063) and includes information on the differences between GAAP and the FBO's home country accounting standards.

Bearer shareholdings. Two commenters stated that they may be unable to identify bearer shareholders that have a greater than 5 percent interest in their organization. However, since Item 4 collects information on ''known shareholders'' there is no need to change this report item.

Risk-based capital schedule. No comments were received on this aspect of the proposal. This schedule breaks out details of an FBO's risk-based capital computations. If this information is confidential in the home country, the FBO 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 capital computations required by their home country banking supervisor(s) would be required.

Q and A checkboxes. No comments addressed the proposal to add several questions that require either a yes or no response, or a box to check, to assist the respondents in providing a complete report and to assist Federal Reserve Banks in their review and analysis. The checkboxes will reduce the need for follow-up correspondence with respondents.

Nonbank Financial Information Summary (NFIS). The Federal Reserve will collect summary financial information on U.S. nonbank subsidiaries of FBOs on the NFIS. The free-form financial statements for U.S. nonbank subsidiaries have been replaced by specific schedules of core financial information that will be processed electronically. The new reporting format includes a principal schedule of thirty-three balance sheet and income statement items (such as loans, securities, assets, capital, and income) and four supporting schedules with a total of forty-one items. Nonbanking subsidiaries with total assets of more than $1 billion must complete the principal and supporting schedules; nonbanking subsidiaries with total assets between $150 million and $1 billion must complete only the principal schedule; and nonbanking subsidiaries with total assets of less than $150 million must respond only to six core items on the principal schedule; these items are denoted by an asterisk on the reporting form. This information will enable the Federal Reserve to better assess the condition of the U.S. nonbank financial activities of foreign banking organizations. Commenters made several suggestions regarding the NFIS including exempting various types of companies from reporting, clarifying the instructions, and eliminating one item from the schedule. Each of the comments is discussed below.

Exemptions from NFIS reporting. Two commenters requested exemptions for Regulation K, section 211.23(f)(3) (incidental activities) companies and another commenter suggested that the Board exempt section 4(c)(8) subsidiaries of section 2(h) (of the Bank Holding Company Act) companies from filing the NFIS because section 2(h) companies are themselves exempt. These commenters also requested that section 4(c)(9) companies be exempt from filing the NFIS. However, section 4(c)(8) and section 4(c)(9) companies are active financial entities in the United States and are subject to the same rules as U.S. subsidiaries operating under the Bank Holding Company Act. The incidental activities covered under section 211.23(f)(3) typically involve brokerage, investment advisory, and foreign exchange operations. The Federal Reserve believes that the NFIS information should be provided on these companies because they are engaged in financial activities in the United States and their parent FBOs are subject to supervision and regulation by the Federal Reserve. Thus, the Board believes that 4(c)(8), 4(c)(9), and incidental-activities companies should file the NFIS.

A commenter suggested that companies whose shares are held by the FBO as a result of debts previously contracted or in a fiduciary capacity should be exempt from filing the NFIS. The Board agrees that individual holdings should be exempt. However, DPC subsidiaries and companies formed specifically to hold fiduciary entities should file in the same manner as other companies.

Submitting a consolidated NFIS. A commenter stated that the Board proposed to significantly limit the conditions under which NFIS statements can be submitted on a consolidated basis, and asked that FBOs not be required to seek annual prior approval from Federal Reserve Banks. Rather, they favored gaining initial approval once those conditions were met and for as long as they remained in effect. This commenter further requested that Federal Reserve Banks be given the discretion to make exceptions to the consolidation rules. The Federal Reserve concurred and has amended the NFIS instructions.

Book value of nonbank subsidiaries on the NFIS. Five commenters noted that the amount at which a nonbank subsidiary is carried on the books of the FBO is highly confidential in some countries and should be collected in the FR 2068. After review, the Board decided that this information is not critical, and deleted the item from the form.

Fiscal-year reporting on the NFIS. A commenter asked that the Board clarify in the instructions to the NFIS that financial information may be prepared as of the end of the fiscal year of the nonbank subsidiary and not as of the end of the fiscal year of the FBO. The instructions have been clarified.

FR Y-7A

The FR Y-7A will collect structure information that was previously reported in Section II of the FR Y-7. Apart from making this a stand-alone report, two initially proposed revisions to the collection process were to collect the information on a flow basis and to implement exception reporting. Flow-basis reporting would have allowed the Federal Reserve to recommend eliminating the FR 4002. Commenters indicated that flow-basis reporting would be very burdensome. The Federal Reserve agreed that flow basis reporting would be burdensome and dropped this revision. However, this required dropping the proposal to discontinue the FR 4002. Annual exception reporting is designed to reduce burden and will be implemented. Annual exception reporting requires completing the entire FR Y-7A only once. In subsequent years, the Federal Reserve Bank will provide the FBO with a printout of its previously submitted structure information. The FBO will review the printout and annotate the information to indicate changes, instead of completing an entire report each year. This is helpful for those banks whose operations are not highly automated, and also may ease the burden of translating the report into English. Other comments included a request to modify Regulation K to exempt certain holdings from reporting, to refine the General Instructions of the FR Y-7A, and to clarify the instructions on reporting DPC shareholdings, fiduciary holdings, and dormant companies.

Flow-basis reporting. The Federal Reserve reviews the structure and activities of FBOs to determine if they are in compliance with applicable statutes and regulations. The Board initially proposed collecting information in Section II (''Activities Conducted in the United States'') of the