

Instructions on reporting of shares held in dormant companies. A commenter requested that the Federal Reserve not require reporting of dormant companies in the FR Y-7A and suggested instead to require an FBO to report the cessation and re-commencement of a business activity. However, the disposition of such holdings would not be known if the FBO stopped reporting them. Such holdings need not be reported until the company becomes active, but once active, it must be reported until divested, even if it becomes dormant again.

#### FR 2068

Five revisions were proposed for the FR 2068. After reviewing comments, one change was dropped and another was modified.

**Filing exemption.** The Federal Reserve eliminated the filing exemption for small companies in light of financial problems that developed in financial institutions with a relatively small presence in the United States. This added thirty-one respondents to the panel.

**Earnings item.** The Federal Reserve eliminated earnings information from the FR 2068 because this information is reported in the FR Y-7.

**Past due loans.** FBOs now must report specified information on past due loans to replace similar information previously submitted on a free-form basis in the FR 2068. The initial proposal provided three alternative methods for reporting this information. This has been reduced to two alternatives, with no loss of flexibility for the respondent, by rewording the instructions. An FBO may submit either an abbreviated table of information which is similar to that collected from domestic banks, or it may submit the same type of information that is provided to its home country supervisor. Notwithstanding these alternatives, a commenter noted that certain banks do not routinely collect this information on a past-due basis, but on the basis of whether interest is accruing. The Federal Reserve believes that the instructions for the past-due loans item provide sufficient flexibility; furthermore, the General Instructions to the FR 2068 state that FBOs may request permission to provide substitute information when undue burden is imposed by a particular item.

**Filing directly with the Board.** A proposed revision to the filing procedures of the FR 2068 would have required the FBO to submit the information to the appropriate Federal Reserve Bank rather than directly to the Board. The procedure of filing directly

with the Board was developed because the FBOs desired strict confidentiality. Several commenters strongly advocated that this procedure be retained. One commenter, although not in objection to filing with Federal Reserve Banks, asked that the same security standards used by the Board be implemented at the Federal Reserve Banks. Specifically, the commenter requested that only one Federal Reserve Bank receive a copy of the FR 2068, that the Federal Reserve Banks not permit other regulators to have access to the information, and that secure areas be set up for storing the information. In response to these comments, the Board has decided that the procedure of filing with the Board be retained.

**Expanded organization chart.** The organization chart provides a listing of all corporate components of the foreign banking organization. The Federal Reserve initially proposed reporting both U.S. and non-U.S. interests of the principal shareholders of the FBO. Commenters noted that this requirement would significantly increase burden, and asked that the organization chart show only those foreign interests that are directly or indirectly engaged in business in the United States. Commenters also noted that a foreign banking organization normally cannot compel a shareholder to disclose personal information. In response to comments regarding burden and possible legal constraints with respect to collection of information on non-U.S. entities, the Federal Reserve dropped this reporting requirement with regard to strictly non-U.S. companies.

#### General Comments

Commenters addressed several matters regarding both the FR Y-7 and the FR 2068, including the reporting universe, implementation date, and glossary.

**Instructions - Who Must Report.** In response to a commenter, the following clarification has been added to the introduction to the General Instructions: "The Annual Report of foreign banking organizations is required to be filed by companies that are directly or indirectly engaged in the business of banking in the United States." Also, the term "organized under the laws of a foreign country" was deleted from the "Who Must Report" section, because an FBO could be organized, for example, under Delaware laws, and operate overseas and in the United States. The instructions thus revised will conform to the statutory definition of a required reporter.

**Implementation date.** A commenter requested that the NFIS section of the

FR Y-7 and the FR Y-7A be implemented as of December 31, 1995. This request will be accommodated because the Board intends to use this implementation date for all sections of the reports. FBOs whose fiscal years end prior to December 30, 1995, will use the existing FR Y-7 and FR 2068 forms.

**Glossary.** A glossary has been prepared as part of the instructions to clarify certain terms and to reduce the number of footnotes in the forms. In response to comments, the Federal Reserve expanded the glossary to provide information on applicable statutes and regulations, defined additional terms, and clarified several definitions.

**Respondent Burden.** Commenters provided various burden estimates, all of which were substantially higher than the Federal Reserve estimates. One commenter stated that the Federal Reserve's combined burden estimate for the FR Y-7 and FR 2068 of 41 hours was much lower than the actual time spent by some FBOs. However, this commenter's estimate represented the burden on some of the larger and more complex organizations. The Federal Reserve's burden estimates are an average across all sizes of institutions and incorporate the higher burdens of large institutions. The Federal Reserve believes that the original proposal, having been substantially modified in response to comments, does not significantly increase the burden averaged across all 323 respondents.

Apart from total burden estimates, there were three specific proposed changes that commenters stated would significantly increase burden. One of these proposed changes was dropped and one was scaled back.

(1) The proposal that structure changes be reported on the proposed FR Y-7A on a flow basis, that is, within thirty days of their occurrence, was considered quite burdensome by commenters. The Federal Reserve decided not to require flow-basis reporting and dropped the proposal to discontinue the FR 4002, in which structure changes are reported quarterly.

(2) The proposal that FBOs report, in the FR Y-7A, investments of 25 percent or more of any class of non-voting equity of any company was scaled back. Now respondents report only such investments in U.S. banks and bank holding companies.

(3) In the existing FR Y-7, an FBO must report each company in which it owns or controls 25 percent or more of any class of voting shares as a result of debts previously contracted. The Federal Reserve changed the threshold