

# Instructions for Preparation of the Report of Changes in Foreign Investments Made Pursuant to Regulation K

**Read carefully and save for future reference. Questions related to these instructions or to the preparation of the Report of Changes in Foreign Investments Made Pursuant to Regulation K should be addressed to the Federal Reserve Bank where the report is filed.**

## REPORTING BURDEN

Public reporting burden for this information collection is estimated to average about 0.5 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing the burden, may be sent to:

Secretary  
Board of Governors of the Federal Reserve System  
Washington, D.C. 20551

and

Office of Information and Regulatory Affairs  
Office of Management and Budget  
Washington, D.C. 20503.

The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

## PURPOSE OF THE REPORT

This report is designed to enable the Federal Reserve System to monitor international investments made under authority of the Federal Reserve Board's Regulation K. Accordingly, sufficient detail is necessary to identify: (1) each party within the investor's organization that participated in the reported transaction(s); (2) certain information regarding the securities involved; and (3) the level of control resulting from and dollars involved in the transaction(s).

## GENERAL INSTRUCTIONS

### Who Must Report

Regulation K defines an "Investor" as any Edge corporation, agreement corporation, member bank, or bank holding company. Since investments might be held by more than one affiliated Investor, the report is designed to be filed by the "ultimate" parent organization, rather than the most direct Investor. Therefore, the

ultimate parent, referred to as the "Reporter," should submit the report for itself and on behalf of any of its subsidiary Investors. The "ultimate" parent and Reporter is:

- (A) the bank holding company (BHC) if the Investor is the BHC or is directly or indirectly owned by a BHC;
- (B) the member bank if the bank is (or controls) the Investor and is not owned by a holding company; or
- (C) the Edge or agreement corporation if the corporation is the Investor and is not owned directly or indirectly by a member bank or BHC.

In most cases, the Reporter will be the bank holding company. While the "ultimate" parent is responsible for filing the form, the ultimate parent can authorize, by letter to the Reserve Bank, that another part of the organization will file on its behalf.

### What Must Be Reported

Reporters must report all acquisitions and dispositions (including partial dispositions) of investments that are governed by Regulation K, except those in which both of the following conditions are met:

- (1) the company in which the acquisition or disposition was made does not conduct business in the United States; and
- (2) the Reporter's previous and present, direct and indirect, investment represented:
  - (a) a historical cost of less than \$100,000, and
  - (b) 5 percent or less of the company's voting shares.

However, where the Investor is a bank holding company and the investment was made pursuant to section 4(c)(6) of the Bank Holding Company Act, the Investor need not file an FR 2064 for that investment, even if the investee conducts business in the United States.

For purposes of this report, "investment" means the ownership or control of shares and any other contributions to the capital accounts of an organization. Include the holding of an organization's subordinated debt when the Reporter directly or indirectly also holds at least 5 percent of the voting stock of the organization.

Regulation K also includes as an investment any binding commitments to acquire shares. However, *do not report* the act of commitment on this form; report the transaction only after acquiring the actual shares under the commitment. Also, *do not report* changes to shares held in trading accounts or shares acquired through stock dividends.

## Filing Procedures and Due Dates

The Reporter should send the original and one copy of the report to the Federal Reserve Bank in the District in which it is domiciled no later than the last day of the month following the month in which the acquisition or disposition occurred. If no acquisition or disposition was made, no report is needed.

## SPECIFIC ITEM INSTRUCTIONS FOR COMPLETING THE FORM

**1. Report for.** Indicate numerically the calendar month and year the transaction(s) was consummated.

**2. Participating Companies.** Provide the following information to identify each party to the reported transaction(s):

**2.A. Filed by.** State the full legal name of the Reporter and its location (city, state).

**2.B. Filed for.** If the transaction was made indirectly by the Reporter through a subsidiary member bank, Edge or agreement corporation, state the full name and location (city, state) of the most direct subsidiary Investor. If the transaction was made directly by the Reporter, leave this item blank. If the Reporter has acquired or disposed of an investment indirectly through more than one subsidiary Investor, submit separate reports for each Direct Investing Company.

**2.C.** If the transaction(s) was made directly by the Investor identified in Item 2.A or 2.B, leave this item blank.

**3. Company Invested in.** Provide the requested information for the company in which the investment was made or changed. (The report should be filed even if the only change since the last report is a change in name or location.)

### 4. Current Status of Company.

**4.A. Investment Category.** Enter the code number (1, 2 or 3) in the box that indicates the present status of the company in which the acquisition or disposition was made. The company is a subsidiary if the Reporter directly or indirectly controls a majority of its voting shares or if the Federal Reserve System has deemed the company to be otherwise controlled by the Reporter or its affiliates. The company is a joint venture if the Reporter directly or indirectly controls between 20–50 percent of its voting shares and the Reporter does not otherwise control its activities. The company is a portfolio investment if the Reporter directly or indirectly controls less than 20 percent of its voting shares.

**4.B. U.S. Business.** Indicate whether the company invested in engages in business in the United States by checking the appropriate box.

**5. Transactions and investment data.** Enter the appropriate code number in Columns A and B and the historical cost in Column C

that corresponds to the type of Investment (divestment) reported. Multiple acquisitions or dispositions of the same type of investment (such as acquisitions of two types of voting shares) should be combined and reported as one transaction. Changes to each of the four types of investments may be reported on one form provided all the parties to the transaction (Items 2.A, B, and C, and Item 3) are the same.

If the company in which the investment was made is being reported as a subsidiary for the first time, submit separate reports for each of the subsidiary's equity investments.<sup>1</sup> If a subsidiary company is sold, or otherwise becomes a noncontrolled company, report only the disposition of shares of the subsidiary; all of its equity investments will be terminated automatically within the Federal Reserve System's files. However, if the Reporter retains any of these indirect investments by acquiring them directly or by transferring them to any of its other subsidiary companies, report each transfer as an acquisition on a separate report.

Voting shares are any common, preferred or partnership shares that carry voting rights, regardless of the relation of these rights to those of other classes of shares. Nonvoting shares are shares that carry no voting rights. Capital contributions refer to increases or decreases to the company's capital account that do not involve an exchange of voting or nonvoting shares or subordinated debt. Report changes to holdings of subordinated debt only if the Reporter also controls at least 5 percent of the foreign company's outstanding voting shares.

**Column A. Transaction type.** Enter the appropriate acquisition or disposition code. Report the conversion of one type of investment into another as an acquisition of the new type and a disposition of the old. For example, if subordinated debt is converted into voting shares, report the acquisition of voting shares and the disposition of the subordinated debt.

**Column B. Regulatory provision.** Enter the code number corresponding to the section of Regulation K that authorized the most direct Investor to make the investment. Dispositions do not require Board approval and, therefore, Column B should be left blank. The most direct Investor is the company identified in Item 2.B or, if it is blank, in Item 2.A. The different authorizations and their corresponding section citations are shown below.

Code Number	Regulatory Provision
(1)	U.S. Bank Foreign Branch Investments (Sec. 211.3(b)(3))
(2)	General Consent (Sec. 211.5(c)(1))
(3)	Expanded General Consent (Sec. 211.5(c)(2))
(4)	Prior Notification (Sec. 211.5(c)(3))
(5)	Specific Consent (Sec. 211.5(c)(4))
(6)	Debts Previously Contracted (Sec. 211.5(e))

For further details, refer to Regulation K.

<sup>1</sup>Do not report small investments that meet the criteria specified on page 1.

**Column C: Historical cost.** The historical cost of each transaction must be reported. The historical cost of an acquisition consists of the actual amount paid for shares or otherwise contributed to the capital accounts as measured in dollars at the exchange rate in effect at the time each investment was made. For investments acquired indirectly as a result of the acquisition of a subsidiary that had its own investments, the historical cost of these investments to the Investor is measured as of the date of acquisition, at the net asset value of the equity interest of the investment in the case of subsidiaries and joint ventures, and by the book carrying value in the case of portfolio investments. Historical cost includes the amount paid for any subordinated debt of a company when the Reporter also owns or controls more than 5 percent of the company's voting shares.

If an Investor (or an investing subsidiary) disposes of part of an investment, report only the proportionate share of the investment's total historical cost; do not base historical cost on the disposition price. If an investment is transferred between affiliates, report the proportionate historical cost of the investment to the transferor.

**6. Resulting investment.** Enter in 6.A the present percent of effective voting rights controlled by the organization making the direct investment (or disposition). Enter in 6.B the historical cost of that organization's total investments in the company in which the investment or disposition was made.

**7. Other affiliates involved.** If the reported transaction(s) involved a purchase from or a sale to an affiliated organization, state the name of the affiliate. That affiliate must submit a separate report to show its participation in the transaction. An "affiliate" of an Investor includes any company of which the Investor is a direct or indirect subsidiary, any other direct or indirect subsidiary of that company, and any direct or indirect subsidiary of the Investor.

**8. Activity code.** If the transaction represents the Investor's initial report on the company identified in Item 3, or if the company's principal activity has changed since a transaction in it was last reported, enter the code from the Activity Code Table that best describes the principal activity of the company.

### Confidentiality

The Federal Reserve System regards all historical cost data provided in this report as confidential and the Investor will be

notified in the event that a request for such data is made under the Freedom of Information Act. In view of the requirements of the Act, however, the Investor may at such time be requested to submit specific written justification for a request for confidential treatment of particular data.

### Business Activity Codes

#### Financially Related Activities

Code	Business Activity
00BA	Bank organized in a foreign country
01A0	Commercial finance company
01D0	Consumer finance company
7370	Computer and data processing services
01C0	Factoring company
00AB	Other holding company
02A0	Industrial bank
8742	Management, consulting, and public relations
621A	Investment or merchant bank
09A0	Insurance agency or brokerage company
10A0	Insurance underwriter
06A0	Leasing Company
01B0	Mortgage bank
6720	Investment offices—including mutual fund manager
6050	Functions closely related to banking
621B	Securities broker or dealer
621C	Securities underwriter
04A0	Trust company
4220	Public warehousing
6100	Credit agencies other than banks

#### Nonfinancially Related Activities

010A	Agriculture, forestry, and fishing
150C	Construction company
200D	Manufacturing company
100B	Mining/drilling company
520G	Retail trading company
6500	Real estate
700I	Services (not financially related)
400E	Transportation, communications, power, or sanitary services company
500F	Wholesale trading company
9999	Nonclassifiable establishments