

# Board of Governors of the Federal Reserve System

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## Instructions for Preparation of the **Report of Bank Holding Company Intercompany Transactions and Balances**

Reporting Form FR Y-8

Reissued June 1998

Read carefully and save for future use.

Questions related to these instructions or the preparation of the Report of Bank Holding Company Intercompany Transactions and Balances should be addressed to the appropriate Federal Reserve Bank.

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## **LINE ITEM INSTRUCTIONS FOR THE REPORT OF BANK HOLDING COMPANY INTERCOMPANY TRANSACTIONS AND BALANCES**

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# The Report of Bank Holding Company Intercompany Transactions and Balances (FR Y-8)

## Who Must Report

The Report of Bank Holding Company Intercompany Transactions and Balances (FR Y-8) must be filed by domestic bank holding companies (BHCs) with total consolidated assets of \$300 million or more as of the end of the reporting period. The following BHCs do not have to file this report: (1) a BHC that is a subsidiary of another domestic BHC; (2) a BHC that has been granted an exemption under Section 4(d) of the Bank Holding Company Act of 1956, as amended; and (3) a BHC that is organized under the laws of a foreign country, and more than half of whose consolidated assets are located, or half of whose consolidated revenues are derived, outside the United States. BHCs that are not required to file this report under the criteria set forth above may be required to file the report by the Federal Reserve Bank of the District in which the BHC is registered.

## Frequency of Reporting

### Semiannual reporting

The FR Y-8 is required to be filed for the six months ending on the last day of June and December. The completed semiannual report shall be submitted not later than 30 calendar days after the close of the previous six-month period.

### Interim reporting

In addition to the semiannual reporting requirement, certain large asset transfers **MUST** be reported on an interim report prior to the semiannual reporting dates. The following types of transfers should be reported to the appropriate Federal Reserve Bank within 10 calendar days after their occurrence:

- (1) the transfer of any asset(s) of the type reportable in Section 1 of this report between subsidiary banks and their subsidiaries and other BHC members<sup>1</sup> if the amount is greater than five percent (5.0%) of total bank equity<sup>1</sup> or \$10 million, whichever is less, or
- (2) the transfer of any past due, nonaccrual, or restructured asset(s) of the type reportable in Section 1 of this report between subsidiary banks and their subsidiaries and other BHC members, if the amount is greater than five percent (5.0%) of total bank equity or \$10 million, whichever is less.

**Note that interim reporting criteria are to be applied to asset transfers for individual bank subsidiaries (or their subsidiaries) rather than to aggregate transfers by all bank subsidiaries.**

An interim report should include an original and two copies of the first two pages (the cover page and Section 1) of FR Y-8. For each individual asset transfer reported in an interim report, provide the following information on a separate page to be attached to the report form:

- (1) the amount and date of each transfer making up the total reported,
- (2) the names of the entities involved in each transfer, and
- (3) a brief statement as to the purpose of the transfer.

Transactions that are reported in the interim report should also be included in the semiannual report filed at the end of the six-month period.

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1. See the definitions of the General Instructions.

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# General Instructions

## Where to Submit the Report

An original and two copies of the semiannual report shall be submitted to the Federal Reserve Bank of the District in which the BHC is registered.

All reports should be filled out clearly by typewriter or in ink. Reports completed in pencil are not acceptable. Legible photocopies are preferred. However, when carbons are used to prepare copies, the copies must be legible and prepared carefully to ensure that the figures and other information appear in the correct position on all copies. Computer printouts are also acceptable, provided that they are in a format identical to that of the report form, including all item and column captions.

## Submission Date

A bank holding company must file the FR Y-8 *no later* than 30 calendar days after the report date. The FR Y-8 interim report must be filed within 10 calendar days after the occurrence of the transfer. The filing of a completed report will be considered timely, regardless of when the reports are received by the appropriate Federal Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a company whose completed FR Y-8 is received late may be called upon to provide proof of timely mailing. A "Certificate of Mailing" (U.S. Postal Service form 3817) may be used to provide such proof. If an overnight delivery service is used, entry of the completed original reports into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original reports on or before the submission deadline to the location to which the reports would otherwise be mailed is an acceptable alternative to mailing such reports. Companies that are unable to obtain the required officers' signatures on their completed original reports in sufficient time to file these reports so that they are received by the submission deadline may contact the Federal Reserve Bank to which they mail their original reports to arrange for the timely submission of their report data and the subsequent filing of their signed reports.

If the submission deadline falls on a weekend or holiday, the report must be received by 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday. Any

report received after 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday deadline will be considered late unless it has been postmarked three calendar days prior to the original Saturday, Sunday, or holiday submission deadline (original deadline), or the institution has a record of sending the report by overnight service one day prior to the original deadline.

## Signature

The original report shall be manually signed by an authorized officer of the BHC in the appropriate place on the cover sheet of the report form. The title of the officer shall also be entered in the appropriate space. The report does not have to be certified by an independent public accountant.

## Confidentiality

The Federal Reserve System regards the individual company information provided by each respondent as confidential. If it should be determined subsequently that any information collected on this form must be released, respondents will be notified.

## Definitions

**Act:** The Bank Holding Company Act of 1956, as amended.

**Bank Holding Company (BHC):** This term as defined in Section 2(a) of the Act, refers to any company which has control over any bank or over any company that is or becomes a bank holding company by virtue of the Bank Holding Company Act.

**Subsidiary:** This term is defined as in Section 2(d) of the Act and includes (1) any company (as defined below) 25 per cent or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) are directly or indirectly owned or controlled by a BHC or are held by it with power to vote; (2) any company the election of a majority of whose directors is controlled by a BHC; and (3) any company with respect to the management or policies of which such BHC has the power, directly or indirectly, to exercise a controlling influence, whether or not such a determination has been made by the Board of Governors of the Federal Reserve System.

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## General Instructions

**Company:** This term is defined as in Section 2(b) of the Act and means any corporation, partnership, business trust, association, or similar organization, or any other trust unless by its terms it must terminate within 25 years or not later than 21 years and 10 months after the death of individuals living on the effective date of the trust, but shall not include any corporation the majority of the shares of which are owned by the United States or by any State.

**Bank:** This term is defined as in Section 225.2 of the Act and includes:

- (1) an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act; or
- (2) an institution organized under the laws of the United States, any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands, which both—
  - a. accepts demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others; and
  - b. is engaged in the business of making commercial loans.

“Bank” does not include those institutions qualifying under the exceptions listed in Section 2(c)(2) of the Bank Holding Company Act of 1956 (12 USC 1841(c)(2)).

**Subsidiary banks and their subsidiaries:** The phrase “subsidiary banks and their subsidiaries” is defined herein to include (1) any bank that is a direct or indirect subsidiary (as defined in the Act) of a BHC and (2) any direct or indirect subsidiary of a subsidiary bank. Any organization operating under Sections 25 or 25(a) of the Federal Reserve Act (Edge and Agreement corporations) would normally be a subsidiary of a bank (and included as part of the consolidated bank) unless more than 50 per cent of such a corporation were owned by the BHC.

**Other BHC members:** The phrase “other BHC members” is defined herein to include (1) the parent organization (if the parent is not a bank) and (2) all other subsidiaries of the BHC that are neither banks nor direct or indirect subsidiaries of banks. It excludes those entities which fall under the definition of subsidiary banks and their subsidiaries.

**Past Due, Nonaccrual, or Restructured Assets:** The phrase “past due, nonaccrual, or restructured assets” consists of all loans and leases reported on a consolidated basis that are past due, in a nonaccrual status, or restructured. The *full* outstanding credit balances, net of unearned income, should be reported. Restructured assets refers to assets that are involved in troubled debt restructuring per Financial Accounting Standards Board (FASB) Statement No. 15 or other debt restructuring that provides for full repayment according to modified terms. This classification includes all credits, regardless of whether they are secured or guaranteed by the government or by others. Include also in this classification other assets which would be considered nonperforming by the reporting organization’s own internal audit or loan review staff, or assets that are designated as “classified” by a Federal or State supervisory agency.

**Past Due Assets:** Loans, leases or other assets that are contractually past due 90 days or more as to interest or principal payments.

**Nonaccrual Assets:** Assets are to be classified in a nonaccrual status if:

- (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower,
- (2) payment in full of interest or principal is not expected, or
- (3) principal or interest has been in default for a period of 90 days or more unless the obligation is well secured and in the process of collection.

A debt is “well-secured” if it is secured (1) by collateral in the form of liens or pledges of real estate or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guaranty of a financially responsible party. A debt is “in the process of collection” if collection of the debt is proceeding in due course either through legal action, including judgement enforcement procedures, or, in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in the repayment of the debt or in its restoration to current status.

**Restructured Assets:** Assets whose terms have been renegotiated or compromised due to the deteriorating

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# General Instructions

financial condition of the obligor. This includes assets considered to involve “troubled debt restructuring” under the provisions of FASB No. 15 or other debt restructuring that provides for full repayment under modified terms due to a deteriorating financial position. This would include any “workout” situations. It does not include debt for which the effective interest rate has been reduced as the result of changes in current market interest rates rather than changes in the debtor’s financial condition or ability to pay normal rates.

**Total Bank Equity:** The sum of the total equity capital of all subsidiary banks as reported on the latest available Consolidated Reports of Condition and Income (Forms FFIEC 031, 032, 033 or 034) or other financial statements submitted to other regulators. If these forms are not available, the amount of equity capital which is reflected on the subsidiary bank’s financial records may be used. **Note that interim reporting criteria are to be applied to asset transfers for individual bank subsidiaries (or their subsidiaries) rather than to aggregate transfers by all bank subsidiaries.**

## Miscellaneous General Instructions

### Rounding

Any dollar amounts should be rounded to the nearest thousand. For example, an amount of \$1,527,605.22 would be reported as \$1,528 thousand. Report items between \$1,000 and \$1,499 as \$1 thousand; report items less than \$1,000 as zero. Place any negative amounts in parentheses.

If additional space is necessary to answer an item or if an item requires further explanation, furnish such information on a separate page to be attached to the report form.

### Waiver of Reporting Requirements

Reporting requirements for transactions of a recurring nature, or any transaction that would result in an undue burden or expense, may be waived by the Board of Governors of the Federal Reserve System upon receipt of a written request to be submitted through the appropriate Federal Reserve Bank.

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## DETAILED INSTRUCTIONS FOR

# Section 1

## Assets Transferred

### Size Criteria

To calculate a total for each cell under Section 1, items 1 through 5, include only individual intercompany transactions that involve the transfer of \$100,000 or more in assets. Transfers should be included if at least one side of the transaction involves the transfer of \$100,000 or more in assets. The transfer of a group of assets, such as a group of loans or securities, shall be considered as an individual transaction if the assets are purchased as a group or as a single package or if their purchase is negotiated on a group basis.

Calculation of asset transfer totals should be based on the value of the asset as carried on the books of the transferor (at the time of the transfer) gross, ignoring any valuation allowance and allocated transfer risk reserve, but net of any adjustments (such as principal repayments or charge-offs) historically made on the books of the transferor.

If the total for any individual cell in Section 1, items 1 through 5, does not exceed one-quarter of one percent (.25%) of total bank equity (refer to the definitions section) or \$1,000,000, whichever is less, the respondent need not fill that cell. (Smaller amounts may be reported at the option of the respondent). Totals that exceed this stated amount must be reported in the appropriate cell.

### Types of transfers to be reported

Report only the transfer of *noncash assets*, such as intercompany transfers of loans, lease financing receivables, real estate, securities, equipment, and so forth. Line item instructions for items 1 through 8 of Section 1 are provided on pages SEC1-1 through SEC1-4 of these instructions. **Asset transfers that should not be reported in this section are listed as exclusions on page SEC1-4.**

Asset transfers are usually two-sided such that one asset is exchanged for another. For example, a loan may be transferred in exchange for cash, another loan, or some other noncash assets. (Noncash assets include loans, receivables, securities, leases, real estate, and equipment.) If a noncash asset(s), such as a loan or group of loans, is exchanged for cash, report the transfer of the noncash asset, but not the transfer of cash. If a noncash asset is exchanged for another noncash asset, both sides of the transfer should be reported. If an asset is transferred more than once during the period, each transfer should be reported.

### Column A—Asset transfers to subsidiary banks and their subsidiaries from other BHC members

Assets transferred to subsidiary banks and their subsidiaries from other BHC members are to be reported under column A of Section 1.

### Columns B and C—Asset transfers to other BHC members from subsidiary banks and their subsidiaries

Assets transferred to other BHC members from subsidiary banks and their subsidiaries are to be reported under column B of Section 1 and, if appropriate, under column C. Only assets that were past due, nonaccrual, or restructured are to be reported under column C.

### Line Item Instructions

**Item 1 Securities including obligations of States and political subdivisions of the U.S., but excluding U.S. treasury securities, obligations of other U.S. government agencies and corporations, and securities issued by other BHC members.**

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## Section 1

Report the book value, as carried on the books of the transferor at the time of transfer, of securities (except as noted below) and loans to and obligations of states and political subdivisions of the U.S. that were transferred during the period. Include transfers of bonds, notes, debentures, and corporate stock.

*Exclude* the following from this item: (1) U.S. Treasury securities and U.S. government agencies and corporation obligations, including all holdings of U.S. Government-issued or -guaranteed certificates of participation in pools of residential mortgages; (2) securities issued by the BHC or any of its direct or indirect subsidiaries (to be reported in item 5, "Other assets"); and (3) purchases of securities under agreements to resell and sales of securities under agreements to repurchase unless these securities were past due, nonaccrual, or restructured.

### **Item 2 Loans secured by real estate.**

Report the book value, as carried on the books of the transferor at the time of transfer, of all real estate loans transferred during the period. Include in loans secured by real estate:

- (1) All loans (other than those to states and political subdivisions in the U.S.), regardless of purpose, and regardless of whether originated directly or purchased from another party that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (for example, equity loans or second mortgages) on real estate.
- (2) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, or serviced by the BHC or one of its subsidiaries.
- (3) Loans secured by properties and guaranteed by governmental entities in foreign countries.
- (4) Loans secured by real estate originated by banking and nonbanking subsidiaries and transferred to and held by other BHC members.
- (5) Loans secured by real estate originated and packaged by nonbanking subsidiaries and transferred to other BHC members for subsequent sale.

*Exclude* from loans secured by real estate:

- (1) All loans indirectly representing real estate as

defined under item 4, "Real estate owned other than premises."

- (2) Obligations (other than securities) of states and political subdivisions in the U.S. secured by real estate.
- (3) All loans and sales contracts indirectly representing other real estate as defined under item 4, "Real estate owned other than premises."
- (4) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign nongovernmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions, when the real estate mortgages or similar liens on real estate are not sold to the reporting entity but are merely pledged as collateral. Such loans should be reported in item 3.
- (5) Notes issued and insured by the Farmers Home Administration and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in Farmers Home Administration-insured notes. Such notes and instruments should not be reported in Section 1.
- (6) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation (FHLMC) that are collateralized by residential mortgages. Such bonds *should not* be reported in Section 1.
- (7) Pooled residential mortgages against which certificates guaranteed by the U.S. Government have been issued. Treat such pooled mortgages as having been sold outright and report such certificates purchased or held as obligations of U.S. government agencies and corporations. Such instruments *should not* be reported in Section 1.
- (8) Pooled mortgages against which certificates are issued and guaranteed by the FHLMC. Such certificates *should not* be reported in Section 1.

### **Special treatment of private (i.e., nongovernment-issued or -guaranteed) certificates of participation in pools of residential mortgages:**

- (1) If certificates of participation in a pool of residential mortgages (nongovernment-issued or -guaranteed) have been issued and the bank holding company or its subsidiary banks (or their subsidiaries) hold and



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## Section 1

retain significant risk of ownership, such transactions are considered financing transactions, i.e. as borrowings. In these cases, the underlying mortgage loans must continue to be *reported as loans secured by real estate*.

- (2) If certificates of participation in a pool of residential mortgages (nongovernment-issued or -guaranteed) have been issued and the bank holding company or its subsidiary banks (or their subsidiaries) retain no significant risk of ownership, such transactions are considered as a sale of underlying mortgages. Holdings of such participations would be considered as domestic securities (holdings of private certificates of participation in pools of residential mortgages) and reported as Item 1, asset transfers.

### **Item 3 Other loans, lease financing receivables, and other assets representing extensions of credit.**

Report the book value (as carried on the books of the transferor at the time of transfer) of all loans, lease financing receivables, and other assets that represent extensions of credit which were transferred during the period. Loans are extensions of credit resulting either from direct negotiation between lender and borrower or the purchase of such assets from others. Loans include extensions of credit in the form of promissory notes, acknowledgements of advance, due bills, invoices, overdrafts, commercial paper, acceptances, and similar (written or oral) obligations.

*Exclude* the following from other loans, lease financing receivables, and other assets representing extensions of credit:

- (1) deposits at financial institutions;
- (2) federal funds sold and securities purchased under agreements to resell, unless these securities were past due, nonaccrual or restructured; and
- (3) loans secured by real estate (to be reported in Item 2).

### **Item 4 Real estate owned other than premises.**

Report the book value (as carried on the books of the transferor at the time of transfer), less accumulated depreciation, of all real estate other than premises actually owned by the BHC or its subsidiaries that was

transferred during the period. Do not deduct mortgages or other liens on such property.

Include as real estate owned other than premises:

- (1) real estate acquired in any manner for debts previously contracted (including but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure);
- (2) real estate acquired and held for investment purposes (other than bank premises);
- (3) real estate acquisition, development, or construction (ADC) arrangements which are accounted for as investments in real estate;
- (4) property formerly but no longer used for operations;
- (5) property originally acquired for future expansion but no longer intended to be used for that purpose;
- (6) receivables resulting from sales of other real estate owned if all criteria have *not* been met for applying the full accrual method of accounting as specified in FASB Statement No. 66, "Accounting for Sales of Real Estate;"
- (7) loans, sales contracts and other assets based on properties that—disregarding the manner of holding, the form of conveyance, or whether a deed has been delivered properly—should be considered as sold or transferred (directly or indirectly), but where the likelihood exists that the properties will have to be taken over by the reporting entity; and
- (8) sales or transfers of real estate in which someone other than the reporting entity takes title for the convenience of the reporting entity.

### **Item 5 Other assets.**

Report the book value (as carried on the books of the transferor at the time of transfer) of premises, furniture and fixtures, debt and equity securities issued by the BHC or any of its subsidiaries, and other assets that have been transferred during the period that cannot be properly reported against items 1 through 4. See exclusions on page SEC1-4, for a list of those asset transfers which should not be reported in Section 1.

### **Item 6 Total Amount Transferred.**

Report the sum of items 1 through 5 in columns A through C.

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# Section 1

## **Item 7 Transfers of past due, nonaccrual, or restructured assets.**

If the amount reported in any individual cell under column C of Section 1, items 1 through 5, exceeds five percent (5.0%) of total bank equity<sup>1</sup> or \$10 million, whichever is less, the following information should be provided on a separate page to be attached to the report form:

- (1) the amount and date of each transfer making up the total reported,
- (2) the names of the entities involved in each transfer, and
- (3) a brief statement as to the purpose of the transfer.

## **Item 8 Transfers of operations.**

Report the transfer of any subsidiary or activity (division or operation) from (to) subsidiary banks and their subsidiaries to (from) other BHC members only if the amount of the assets transferred was greater than five percent (5.0%) of total bank equity<sup>1</sup> or \$10 million, whichever is less. The following information on such asset transfers should be provided on a separate page to be attached to the report form:

- (1) the amount and date of assets transferred,
- (2) the names of the entities involved in the transfer, and
- (3) a brief statement as to the purpose of the transfer.

## **Exclusions**

### **Asset transfers which should not be reported in Section 1**

Do not report the following types of asset transfers in Section 1 of this report:

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1. See the definitions section of the General Instructions.

- (1) Transfers of cash, U.S. Treasury securities, or U.S. government agencies and corporation obligations. (Cash payments for management or other service fees and lease and rental contracts are to be reported in item 1 of Section 2; and cash payments for tax settlements are to be reported in item 5 of Section 2.)
- (2) Federal funds transactions.
- (3) Sales of loans or securities under agreements to repurchase or purchases of loans or securities under agreements to resell *unless such loans or securities are past due, nonaccrual, or restructured*.
- (4) Intercompany loans or advances; that is, direct loans or advances made by one member of the BHC to another member of the BHC.
- (5) Asset transfers that have been formally approved by federal bank regulatory authorities.
- (6) Asset transfers where one member of the BHC acts as purchasing agent for another member of the BHC. Do not report assets purchased by one member of the BHC with the intention that they be transferred or sold immediately (within seven calendar days of the purchase) to another member. However, if assets were purchased for a member's own account but were transferred to another member more than seven calendar days after the date of the initial purchase, the transfer must be reported in Section 1.
- (7) Loan participations (that is, loans that are made in cooperation with and shared with at least one other lender) or participations in purchasing securities, *the purchase of which is shared by members of the BHC at the time of loan origination*. Do not report purchases upon origination of participations in a pool of securities or loans if origination occurred in less than seven days before the reporting date. However, transfers between members of the BHC of any existing interest in a participation or pool of loans or securities are to be reported if such a transfer occurs more than seven calendar days after the date on which the participation or interest in the pool was purchased.

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DETAILED INSTRUCTIONS FOR

## Section 2

# Other Intercompany Transactions and Balances

### Line Item Instructions

**Item 1 Income recognized (during the reporting period) by subsidiary banks and their subsidiaries from other BHC members.**

**Item 1(a) Interest.**

Report interest income recognized during the reporting period by subsidiary banks and their subsidiaries on loans, advances, and other extensions of credit to other BHC members. All interest income reported in this item must be classified as an interest expense by other BHC members. Consequently, interest from any interest-bearing obligation issued by other BHC members, such as subordinated debt, term notes, capital leases, or short-term loans, should be reported. However, interest on a subsidiary bank participation in third-party debt, in which another BHC member is the lead institution, should not be reported even if the lead institution is guaranteeing the debt.

**Item 1(b) Management and other service fees.**

Report management and other service fees recognized by subsidiary banks and their subsidiaries for services rendered to other BHC members. Include fees charged for management and advisory services, data processing services, loan servicing, and so forth.

**Item 2 Average balance of credit extended by subsidiary banks and their subsidiaries to other BHC members.**

Report the average balance of credit extended (including overdraft balances) by subsidiary banks and their subsidiaries to other BHC members during the period. *Exclude* contingent liabilities, noncapitalized leases, and payables that do not represent extensions of credit to other BHC members. Average balances may be calculated by using daily, weekly, or monthly averages.

**Item 3 Credit lines, compensating balances, and correspondent relationships.**

**Item 3(a) Credit lines associated with compensating balances.**

Report the total amount of credit lines extended to other BHC members by unrelated banks in connection with which compensating balances (to be reported in item 3(c)) were maintained by subsidiary banks and their subsidiaries during the period. Report the total amount of credit lines extended, whether used or unused.

**Item 3(b) Current amount of credit used in the credit lines reported in 3a.**

Report the current amount of credit lines reported in item 3(a) that is in use or has been “taken down” as of the report date.

**Item 3(c) Average amount of compensating balances maintained over the reporting period by subsidiary banks at unrelated banks in connection with credit lines extended and services provided to other BHC members.**

Report the average amount of compensating balances maintained with unrelated banks during the reporting period by subsidiary banks and their subsidiaries to secure lines of credit or other services for other BHC members. The amount reported should equal the amount of compensating balances required, if any, by the unrelated bank for the line of credit or other services, minus any balances directly maintained by other BHC members for such services at that bank. Except as provided in the following paragraph, if there is no explicit or implicit understanding between the unrelated bank and other BHC members or subsidiary banks and their subsidiaries regarding any minimum compensating balances, then the response to the question should be zero.

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## Section 2

If the unrelated bank has extended a line of credit to other BHC members and does not require a compensating balance because the subsidiary bank(s) maintains correspondent balances with the unrelated bank, then estimate the amount of compensating balances that would have been required had the subsidiary bank(s) not maintained correspondent balances. Subtract from that amount any balances directly maintained by other BHC members at the unrelated bank and report the difference.

**Item 3(d) Amount of compensation, if any, recognized during the period by subsidiary banks for maintaining the balances reported in 3c.**

Report the amount of compensation received from other BHC members, if any, and recognized as such by subsidiary banks and their subsidiaries for maintaining the balances (during the reporting period) reported in item 3(c).

**Item 4 Period-end amount of all outstanding loans, unused commitments, “guarantees,” or standby letters of credit made by subsidiary banks and their subsidiaries in connection with credit extended by third parties to other BHC members.**

Report the amount of all outstanding loans or other obligations made by subsidiary banks and their subsidiaries in connection with credit extended other BHC members by third parties. Subsidiary bank obligations would include, but not limited to, loans, commitments for loans (unused portion only), “guarantees,” and standby letters of credit.

Report the book value of all loans. Loans are extensions of credit resulting either from direct negotiations between lender and borrower or from the purchase of loan assets from other lenders. Loans include extensions of credit in the form of promissory notes, acknowledgements of advance, due bills, invoices, overdrafts, and similar obligations (written or oral), as well as more marketable instruments such as commercial paper and bankers’ acceptances.

Report all outstanding unused commitments made by subsidiary banks and their subsidiaries to lend funds to a

third party where the commitments were originated in connection with the third party’s extension of credit to other BHC members. (Exclude all other loan commitments.) Include as commitments only official promises to lend that are expressly conveyed, orally or in writing, to the third party. Such commitments are usually in the form of a formally executed agreement or a letter signed by an officer (of a subsidiary bank or one of its subsidiaries). Oral commitments made by officers to a third party (customer) are usually accompanied by some documentation for the bank’s own records such as a notation in the customer’s credit file. *Exclude* authorizations (internal guidance lines) in which the customer is not informed of the amount. *Exclude* cases such as those when loan funds are temporarily unavailable pending loan committee approval. Include only unused commitments (that is, the amounts still available under commitment arrangements, but not borrowed as of the date of reporting). *Exclude* any takedowns, expirations or cancellations. Do not omit commitments merely because they are not legally binding or do not require a commitment fee.

Include the outstanding amount of any “guarantees” or similar arrangements, however named or described, that represent contracts under which subsidiary banks or their subsidiaries are obligated to make payment to third parties contingent upon the failure of other BHC members to perform under their contract with those third parties. For example, guarantees may obligate subsidiary banks or their subsidiaries to make payments to third parties in the event that other BHC members default on loans or debentures.

Include the outstanding amount of standby letters of credit or similar arrangements, however named or described, representing obligations on the part of subsidiary banks or their subsidiaries to make payment to, or to the order of, a designated third party (“beneficiary”) contingent upon the failure of other BHC members to perform under the terms of the latter’s underlying contract with the beneficiary. The underlying contract may entail either financial or nonfinancial undertakings of other BHC members with the beneficiary. For example, standby letters of credit may obligate a subsidiary bank or one of its subsidiaries to make certain payments to the beneficiary in the event of default or nonperformance by other BHC members on a loan.

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## Section 2

**Item 5** Gross amounts transferred during the reporting period related to Federal, State, and foreign income taxes.

**Item 5 (a) From subsidiary banks and their subsidiaries to other BHC members.**

Report the gross amount forwarded during the reporting period from subsidiary banks and their subsidiaries to other BHC members related to Federal, State, and foreign income taxes.

**Item 5(b) From other BHC members to subsidiary banks and their subsidiaries.**

Report the gross amount forwarded from other BHC members to subsidiary banks and their subsidiaries related to Federal, State, and foreign income taxes.