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Federal Reserve Bank analysis of parent-company-only financial statements

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This article offers a glimpse into some of the analysis being performed on the FR Y-9SP, Parent Only Financial Statements for Small Holding Companies, and the FR Y-9LP, Parent Only Financial Statements for Large Holding Companies, and discusses how the Reserve Bank identifies possible errors on them and other regulatory reports. All of the interested stakeholders benefit when these reports are submitted accurately and timely because it minimizes corrections and follow-ups. Also, because the reports are readily available to the public, the data are more reliable for users.

Although the FR Y-9SP/LP reports are not overly complex in terms of the data collected, some accounting and reporting issues are encountered from time to time. Federal Reserve analysts perform period-to-period consistency checks and verify that the data and any edit explanations provided are consistent with accounting rules and reporting interpretations. In addition, analysts rely on other data sources such as the Call Report, structure reports, and SEC reports, if available, to enhance data accuracy.

Several items on the FR Y-9SP/LP reports ought to reconcile with Call Report data. The following examples assume that a holding company owns 100 percent of the bank subsidiary's equity. In cases of less than 100 percent ownership, a pro-rata calculation is used.

- The HC's dividend income from its bank subsidiary (SP: Schedule SI item 1a, LP: Schedule PI item 1a1) should equal the bank subsidiary's declared dividends (Schedule RI-A items 8 and 9)
- The HC's equity in undistributed earnings of its bank subsidiary (SP: Schedule SI item 12a, LP: Schedule PI item 7a) should equal the bank subsidiary's net income/(loss) less any declared dividends (Schedule RI item 12 less Schedule RI-A items 8 and 9)
- The HC's equity investment in its bank subsidiary (SP: Schedule SC item 4a, LP: Schedule PC-A item 1a1) should equal the bank subsidiary's total equity capital (Schedule RC item 28).
- The HC's accumulated other comprehensive income (SP: Schedule SC item 16d, LP: Schedule PC item 20e) should equal the bank subsidiary's accumulated other comprehensive income (Schedule RC item 26b) plus/minus any adjustments for assets held at the HC or at consolidated nonbank subsidiaries that are subject to AOCI.

Also, the HC's consolidated total assets (SP: Schedule SC-M item 1), should reflect the bank subsidiary's total assets, regardless of percentage ownership, plus any assets held directly by the HC and any consolidated nonbank subsidiaries.

Some line items on the FR Y-9SP/LP reports also provide for a cross-check with the FR Y-10 and FR Y-6 structure reports. Because the equity method of accounting is used, discrepancies between the FR Y-9SP/LP reports and Call Report data may indicate that an FR Y-10 report should be filed to report a change in ownership percentage. In addition, other items on Schedule SC and Schedule SC-M may have balances that indicate the HC has commenced or ceased some nonbanking activities. Reserve Bank staff cross-check this information with organizational structure data reported on the FR Y-10 report. If the nonbanking company or activity does not coincide with the FR Y-9SP/LP report data, a follow-up call is made to request an FR Y-10 report or revisions to the FR Y-9SP/LP report.

The Statistical & Structure Reporting section at the Federal Reserve Bank of Minneapolis works to ensure that accurate and timely data are collected in accordance with the regulations and reporting instructions. The Federal Reserve Bank of Minneapolis conducts outreach to educate HCs and to help ensure more accurate and timely reporting, particularly when there are changes to reporting forms. Some of these outreach efforts include:

- "Ask the Fed" sessions and webinars on various reporting topics,
- Announcements of Federal Register publications describing proposed reporting form or accounting changes, and
- Quarterly letters highlighting implemented changes to report forms and updated report instructions.

Staff at the Federal Reserve Bank of Minneapolis is available to assist HCs with any reporting questions. You can contact the Statistics & Structure Reporting section at the Federal Reserve Bank of Minneapolis at mpls.statistics@mpls.frb.org, (612) 204-6445, or (888) 887-0926 if calling from outside the Minneapolis/St. Paul metropolitan area.

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