

## **FORM BG – WEF END-MARCH 2016 REPORTING**

### **TRANSACTIONS WITH NON-RESIDENTS: INTEREST, DIVIDENDS AND OTHER INCOME BY GEOGRAPHICAL LOCATION**

This form collects a geographical breakdown of certain non-resident items of Form PL. The purpose of this form is to collect a variety of data relevant to the current account of the balance of payments, broken down by geographical location of the immediate counterparty. This comprises data on dividends received and paid; data on the profits and losses of non-resident branches, subsidiaries and associates, whether these are deposit taking corporations or non- deposit taking corporations, and of reporting institutions which are themselves the branches, subsidiaries or associates of non-resident entities (i.e. profits or losses on inward and outward direct investment), and holding gains or losses earned. Finally, there is a section on service earnings from non-residents composed of transfer pricing receipts and payments and fees and commissions receivable and payable.

#### **COUNTERPARTY INFORMATION**

Counterparty information should be reported on an immediate basis (i.e. where the reporting institution is the immediate investor in the non-resident branch, subsidiary or associate). Please see appendix to BG definitions. If any inward or outward direct investments are held through an intermediary holding company in the UK, the holding company should NOT be “looked through” to the immediate non-resident subsidiary or associate. This is consistent with the new definitions on Forms FI and FO valid from Q1 2016 onwards.

#### **FORM COMPLETION**

The form should be completed quarterly by a panel of deposit taking corporations selected by the Bank of England on the basis of their non-resident activity. The reporting population is reviewed annually and is generally based on the amount of non-resident business reported on Form PL. For quarterly BG reporters, reported data should relate to the calendar quarter. For annual BG reporters, reported data should relate to the calendar year ending December.

#### **VALUATION**

Foreign currency items should be converted into sterling at the exchange rate prevailing at the time of the transaction, or failing this at the average rate for the period. The conversion must be carried out on the same basis as the PL form. Quarterly PL reporters that report the BG annually are advised: as the average of a given exchange rate over the year may not be identical to the average of the four quarterly rates used to convert foreign currency on the year’s PL forms, small

discrepancies between the PL and BG totals (1% or less) will be attributed to this cause and will not be queried. Reporters are advised that data unallocated by country of less than £1mn per calendar year will not be investigated.

Institutions reporting Forms BG and PL on the same frequency should ensure that totals for the items on the BG and the associated PL items are the same on both forms. Institutions reporting an annual Form BG and a quarterly Form PL should ensure that the totals on the BG are equal to the sum of the PL items over the calendar year.

## **COMPLETION OF ITEMS RELATING TO DIRECT INVESTMENT**

Part of this form covers direct investment by UK resident deposit taking corporations in their non-resident branches, subsidiaries and associates, whether these are deposit taking corporations or non-deposit taking corporations (outward investment), and investment in UK resident deposit taking corporations by non-resident registered head offices, non-resident parent companies and non-resident companies holding an associate interest (inward investment). A direct investment is defined when the shareholder has equity investment of greater than or equal to 10% of the ordinary shares or voting stock in another institution, typically a branch, subsidiary or associate.

A subsidiary is a direct investment enterprise in which an investor owns more than 50 per cent of its voting power i.e. it is controlled by the investor. For further clarification on the definition of a subsidiary, refer to section 736 of the Companies Act 1985, as amended by section 21 of the Companies Act 1989.

An associate is a direct investment enterprise in which an investor owns directly at least 10 per cent of the voting power and no more than 50 per cent.

Items 1, 3, 4 and 13 need to be completed only by reporting institutions which have branches, subsidiaries or associates located outside the UK. Items 5, 7, 8 and 14 need to be completed only by reporting institutions which have a head office, parent or other direct investor located outside the UK. Items 9-12 need to be completed by all reporting institutions that receive service earnings from non-residents or pay service earnings to non-residents.

## **Outward direct Investment**

### **BG1: All dividends received from non-resident subsidiary or associated companies earned during the period**

Enter all dividends received from non-resident subsidiaries and associates even though these may relate to profits earned in an earlier period.

#### *Exclude*

Exceptional dividend receipts that are made out of accumulated reserves or sales of assets. Such exceptional payments, sometimes called super dividends, should be treated as a withdrawal of equity rather than a dividend received and reported as such on Form FO.

Report against the country that the dividend was received from.

This item should equal PL26A

### **BG3: Profits (+) or losses (-) of the branch earned during the period**

Enter profits / losses net of corporation tax and other known local taxes, earned during the period, whether or not remitted to the reporting institution. Branch profits should include net interest accruing to or accruing from the parent entity (the reporting institution). Refunds of tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A.

Report against the country that the branch is resident in.

This item should equal PL31A

### **BG4: Reporting institutions share of the non-resident subsidiary or associated company's profits (+) or losses (-) of the branch earned during the period**

Enter the share of profit / loss in accordance with the reporter's proportionate holding of equity investment in the subsidiary or associated company, net of corporation taxes, and all other known local taxes. Refunds of Tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation items 29A. Enter profits / losses whether or not remitted to the reporting institution.

#### *Include*

(a) The pro rata share of all profits / losses earned during the period

(b) Undistributed earnings, whether or not dividends in respect of these earnings have been declared.

#### *Exclude*

Profits / losses channelled through a UK incorporated holding company.

Report against the country that the subsidiary or associate is resident in.

This item should equal PL31B

**BG13A: Non-resident branches holding gains (+) or losses (-) earned during the period**

Enter the value of all non-resident branch dealing profits (+) or losses (-), provisions (-) and exceptional items (+). Enter the value of these items reported by non-resident branches as included in PL33A. Report against the country that the branch is resident in.

Refer to items PL8, PL14 and PL20A on part 1 of the Form PL for a definition of the items to be included.

This item should equal PL33A.

**BG13B: Non-resident subsidiary or associated company's holding gains (+) or losses (-) earned during the period**

Enter the value of all non-resident subsidiary or associated company dealing profits (+) or losses (-), provisions (-) and exceptional items (+). Enter the value of these items reported by non-resident subsidiaries and associated companies as included in PL33B.

Refer to items PL8, PL14 and PL20A on part 1 of the Form PL for a definition of the items to be included.

Report against the country that the subsidiary or associate is resident in.

This item should equal PL33B.

**Inward direct Investment**

**BG5: All dividends paid to the non-resident company during the period**

Enter those dividends paid to non-resident group companies. Include all dividends paid, even though these may relate to profits earned in an earlier period. Refer to item 17 in Part 1 for a definition of dividends paid.

*Exclude*

Exceptional dividend receipts that are made out of accumulated reserves or sales of assets. Such exceptional payments, sometimes called super dividends, should be treated as a withdrawal of equity rather than a dividend payment and reported as such on Form FI.

Report against the country that the dividend was paid to.

This item should equal PL30A.

**BG7: Profits (+) or losses (-) of the branch earned during the period**

Enter profits / losses net of corporation tax and other known local taxes, earned by the reporting institution during the period, whether or not remitted to the non-resident entity. Profits should include net interest accruing to or accruing from the parent entity. Refunds of Tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation item 29A.

Report 100% of the profits against the country that the parent company is resident in.

This item should equal PL32A.

**BG8: The non-resident company's share of the UK reporting institutions' profits (+) or losses (-) earned during the period**

Enter the share of profit / loss in accordance with the non-resident investor's proportionate holding of the reporting institutions' ordinary shares, net of corporation taxes, and all other known local taxes. Refunds of Tax paid on profits (under, for example, double taxation agreements), should be netted off against the profit items themselves, not the taxation items (29A / 29B). Enter profits / losses whether or not remitted to the non-resident investor.

Include

- (a) The pro rata share of all profits / losses earned during the period
- (b) Undistributed earnings, whether or not dividends in respect of these earnings have been declared.

Report the share of profits against the country allocated to each country that has a direct investment in the subsidiary or associate company.

This item should equal PL32B.

**BG14: The non-resident company's share of the UK reporting institution's holding gains (+) or losses (-) earned during the period**

This item measures the proportion of the profit reported in BG7 and BG8 that was due to the resident company's holding gains and losses (PL8 - PL8AA - PL8BA - PL8CA + PL14 - PL20A). For example, if the reporting entity is a 100% owned subsidiary of an Italian parent bank then report all of your PL8 - PL8AA - PL8BA - PL8CA + PL14 - PL20A to Italy. If the reporting entity is 50% owned by a Spanish deposit taking corporation and 50% owned by a German deposit taking corporation and the profits were distributed evenly to the two shareholders then report 50% of the sum of your PL8 - PL8AA - PL8BA - PL8CA + PL14 - PL20A to both Spain and Germany.

Do not report the direct counterparty to your dealing profits, exceptional items or provisions here.

This item should equal  $PL8 - PL8AA - PL8BA - PL8CA + PL14 - PL20A$  (See PL definitions for guidelines on these items). This validation **only** applies to foreign owned branches and foreign owned subsidiaries who are 100% foreign foreign-owned and do not have a UK holding company. This validation does not apply to UK-owned deposit taking corporations, associates or foreign-owned subsidiaries that are not 100% owned.

### **Fees and commissions and Transfer pricing**

#### **BG9: Fees and commissions receivable**

Reporting institutions should report receipts on a gross basis; only those unable to ascertain gross figures should report on a net basis. It is acceptable to report here on an amortised basis, as opposed to a contractual basis outlined within International Financial Reporting Standards. Report against the country that the fees and commissions were received from.

This item should equal PL27.

#### **BG10: Fees and commissions payable**

Reporting institutions should report receipts on a gross basis; only those unable to ascertain gross figures should report on a net basis. It is acceptable to report here on an amortised basis, as opposed to a contractual basis as outlined within International Financial Reporting. Report against the country that the fees and commissions were paid too.

This item should equal PL28.

#### **BG11: Transfer pricing receipts**

Transfer pricing should only include receipts/payments in relation to services provided to or by other group entities. All non-service related profit transfers should be excluded. Report against the country that the transfer pricing receipts were received from.

This item should equal PL34.

#### **BG12: Transfer pricing payments**

Transfer pricing should only include receipts/payments in relation to services provided to or by other group entities. All non-service related profit transfers should be excluded. Report against the country that the transfer pricing payments were paid too.

This item should equal PL35.