Form BH: Quarterly bank holding companies return

Form BH covers all data required from bank holding companies for statistical reporting purposes. It is split into three sections. Part 1 covers all the income and expenditure of the reporting institution. Part 2 covers all the spot liabilities and assets of the reporting institution. Part 3 covers a variety of data on foreign direct investment relevant to the current and financial account of the Balance of Payments and the International Investment Position, broken down by geographic location of the immediate counterparty.

The information obtained from this form will be used primarily in the provision of aggregate information for the Captive Financial Institutions sector to the Office for National Statistics in calculating the UK National Accounts and Balance of Payments. Except where otherwise stated, figures should be reported gross rather than net, and only for the period in question. Any adjustments to previous periods should be treated as revisions to those periods (see appendix).

Most items on Part 1 and Part 3 of this form should be shown on an accruals basis, including discounts and premia on money market instruments and bonds. In the case of debt securities (items 1AB, 1BB, 2B), accrued interest should be determined, if possible, by reference to the rate applicable at the point of issue ('the debtor approach'). Dividends received and paid (items 4, 14, 32 and 39) and non-dividend remitted earnings should be reported on a cash basis. Data on this form should be reported consistently with these definitions, which may in some cases be different to International Financial Reporting Standards (IFRS) reporting. If this causes any problems, please contact SRDDPLteam@bankofengland.co.uk to discuss.

Each return covers data for three months only, i.e. for the quarter to end-March, June, September and December.

Definitions for each sector are given in the Classification of Accounts guide Part III: *http://www.bankofengland.co.uk/statistics/Documents/reporters/defs/cag201310.pdf.*

PART 1 – INCOME AND EXPENDITURE

1 Total interest receivable

Include

(a) Interest receivable classified by loans and debt instruments, split by residents and non-residents. This is intended to be on a contractual basis as opposed to the effective yield basis outlined within IFRS (see Introduction above) unless agreed otherwise in discussions with individual reporters.

(b) Any interest receivable on gold deposits within item 1AA and 1BA (loans and advances).

Also *include* additional detail for interest receivable from loans and advances (item 1AA and

1BA) and debt instruments (1AB and 1BB).

Exclude

(a) Interest received from interest rate swaps, which should be reported under realised and unrealised gains/losses(see Item 5).

Note:

In the case of netting/pooling arrangements, if gross flows are available, they should be reported. If gross flows are not available and the netting occurs within the same economic sector, net flows can be reported. However, if gross flows are not available, and the net flow is based on accounts from different economic sectors (e.g. residents and non-residents), then these should be *excluded*.

Examples:

(a) If there is a deposit with and a loan from one customer and the interest is calculated gross, but charged net – interest should be reported on a gross basis.

(b) If there are credit and debit balances which either apply to customers in different economic sectors or are held in different countries, but which are pooled (either physically or notionally) for the calculation and posting of interest – if gross flows are not available, you should exclude the interest from the figures.

1AA/1BA Interest receivable on loans

Include

(a) Any loans and advances denominated in gold.

(b) Interest from balances reported within item 27.

(c) Interest receivable on repos / reverse repos. Repo interest refers to interest from both repo and buy / sell back repo trading. Include fees receivable under security for security reverse transactions and gold lending/swaps. Include any income receivable on reverse transactions whether it is a repo or a reverse repo transaction deal. Interest receivable should be recorded gross of any interest paid on margins.

1AB/1BB Interest receivable on debt securities

Include

(a) All interest receivable on bonds, FRNs and other instruments (i.e. all debt instruments other than those included under item 1AA and 1BA above). Both the value of any accrued coupon receipts and part of the discount that unwinds during the period under review, if a bond is issued at discount (or premium) from its nominal (the ‘debtor approach’ stated under the European System of Accounts 2010 (ESA 10). However, if accruals based on the discount at issue are not known, instead include accruals based on the discount at the time of the acquisition.

(b) Income receivable on non-participating preference shares.

(c) Interest from balances reported within item 26.

(d) All interest receivable on money market instruments embracing all income from certificates of deposit, promissory notes, commercial paper and other short-term negotiable paper. Any interest or discount receivable on bills, except where such interest relates to bills held in respect of ECGD guaranteed lending.

(e) Any interest accruing over the reporting period in respect of short-term deep discount and zero-coupon instruments – please also see General Notes and Definitions, item 7 (b) (vi).

Exclude

(f) Realised and unrealised gains / losses

1C/1D Interest received on loans and debt securities to non-resident subsidiaries and associates/parent entities

Include in PL1C any interest received on loans to and debt securities issued by non-resident subsidiaries and associates. This should be interest that corresponds directly with the balance sheet items reported in item 37.

Include in PL1D any interest received on loans to and debt securities issued by the non-resident parent entity. This should be interest that corresponds directly with the balance sheet items reported in item 45.

2 Total interest payable

Include

(a) Interest payable classified by instrument. This is intended to be on a contractual basis as opposed to the effective yield basis outlined within IFRS (see Introduction above).

Exclude

(a) Any interest passed on to other participants in a syndicated loan.

(b) Interest paid relating to interest rate swaps, which should be reported under realised and unrealised gains/losses (Item 5), as a negative entry.

Also *include* additional detail for interest payable on loans (item 2AA and 2AB) and debt (2B).

2AA/2AB Interest payable on loans

Include

(a) Interest payable on loan liabilities *included* under item 20 and 21.

(b) Interest payable on repos and reverse repos. Repo interest refers to interest from both repo and buy / sell back repo trading. Include fees payable under security for security reverse transactions and gold lending/swaps. Include in this line any income payable on reverse transactions whether it is a repo or a reverse repo transaction deal. i.e. interest should be split between 1AA/BA and 2AA/AB.

(c) Based on the direction of payment rather than product type. Interest payable should be recorded gross of any interest received on margins.

2B Interest payable on debt securities

Include

(a) All interest payable on bonds, FRNs and other instruments included in item 19. Both the value of any accrued coupon payments and part of the discount that unwinds during the period under review, if a bond is issued at discount (or premium) from its nominal (the 'debtor approach' stated under ESA 10).

(b) Income payable on non-participating preference shares.

(c) Interest payable on money market instruments. Include all interest payable on money market instruments included in item 18, embracing all income from certificates of deposit, promissory notes, commercial paper and other short-term negotiable paper. See also General Notes and Definitions, item 7(b) (vi).

Exclude

Realised and unrealised gains / losses (to be placed in item 5).

2C/2D Interest paid on loans and debt securities from non-resident subsidiaries and associates/parent entities

Include in PL2C any interest paid on loans from and debt securities issued to non-resident parents. This should be interest that corresponds directly with the balance sheet items reported in item 44.

Include in PL2D any interest paid on loans from and debt securities issued to non-resident subsidiaries and associates. This should be interest that corresponds directly with the balance sheet items reported in item 38.

3 Net interest income

Enter here the sum of total interest receivable (item 1) less total interest payable (item 2).

4 Dividends received

Enter the value of dividends received during the period (this should also include the cash value of any scrip issues). Include all dividends received on equity.

Exclude

(a) Income received from non-participating preference shares, these should be included within 1AB and 1BB.

(b) Realised and unrealised gains / losses (item 5).

(c) Exceptional dividend receipts that are made out of accumulated reserves, withdrawal of assets on event of dissolution of a branch or subsidiary or sales of assets. Such exceptional payments, sometimes called super dividends should be treated as a withdrawal of equity in BH item 35 rather than a dividend received. Figures should be reported gross of tax and on a cash basis.

5 Realised and unrealised gains/losses

Include all profits or losses (including revaluation profits or losses) arising from the purchase, sale and holdings, of tradable instruments. We would expect both realised and unrealised profits and losses to be recorded in this item. For example, if a tradable bond is not traded but changes in value this should be recorded here. Items are to be reported net on a marked-to-market basis, as at the end of the reporting period (31 March, 30 June, 30 September or 31 December).

Exclude

(a) Any interest or dividends earned from these instruments

(b) Fees on these instruments, where identifiable these should already be reported under items 6A and 9B.

(c) Dividends paid on short sales (manufactured dividends). These should be reported in item 14.

Unrealised gains and losses from the purchase of own debt should not be included on Form BH. Only realised profits and losses on own debt should be included within item 5.

Where transactions between group entities occur, these should be shown at market value or estimated market value if necessary.

6 Other operating income

Include

(a) Total rents.

(b) Intra-group transfer pricing income.

(c) All other items of operating income.

Exclude

(a) Holding gains or losses.

6A Of which: intra-group transfer pricing and fees and commissions receivable

Enter here all fees and commissions as well as the income element from intra-group transfer pricing / management recharges. Reporting institutions should report receipts on a gross basis; only those unable to ascertain gross figures should report on a net basis. Intra-group transfer pricing is the service income received by the UK reporting institution from another UK group entity or non-resident parent, subsidiaries, group-companies or associates.

It is acceptable to report here on an amortised basis, as opposed to a contractual basis, as outlined within IFRS (see Introduction above).

Include

(a) Fees receivable on investment banking, advisory, brokerage and underwriting.

(b) Fees receivable on insurance activities.

(c) Fees receivable on loans and advances.

(d) Fees on account services.

(e) Consultancy fees.

(f) Other fees.

Transfer pricing income should only include receipts in relation to services provided to other group entities. All non-service related profit transfers should be excluded. As with all expenditure items, we would expect intra-group transfer pricing to reflect the service activity when it takes place. Please refer to the appendix for further details of the categorisation of transfer pricing as fees and cost recharges.

6B Other operating income

All items of other operating income not covered in 6A above. Please do not include holding gains or losses, income on exceptional activity or income received on the provision of a service. Please consult with the SRDD PL team (as per email address on page 1) on what you are reporting here.

7 Total non-interest income

SUM of dividends received (item 4), realised and unrealised gains/losses (item 5) and other operating income (item 6).

8 Total operating income

SUM of net interest income (item 3) and total non-interest income (item 7).

9 Operating expenditure

Please ensure that expenditure is reported on a cash/paid basis. We realise that some expenditure reported through statutory accounts is provisions for future expenditure. These should not be reported on the BH, instead only record the expenditure when the service is provided or when ownership of goods changes hands. This is because most of these data feed into the UK National Accounts, which reflects the activity of the economy when it takes place. This is different to the treatment of provisions for fines in BH11 as those do not reflect the activity of the economy.

9A Compensation of employees

Remuneration of employees either in cash or in kind, in the period. Wages and salaries should include all regular compensation payable to all employees including overtime payments, commissions and any other cash benefit payments. Also include the annual bonus accrual and any one-off bonuses that relate to a specific piece of work or performance in the current period. The annual bonus accrual should ideally be proportioned equally into each quarter during the year. We realise this is difficult to report in this manner except in hindsight and so are happy to accept your bonus accrual that is consistent with the internal accounts. The only exception to this may be when the accrual exceptionally moves the aggregate total or results in a negative total, in this instance we will ask the reporting institution to revise.

Apart from wages and salaries, please also include the following items

(a) Employers' National Insurance contributions.

(b) Employers' contribution to pension and welfare schemes.

(c) Redundancy and severance payments.

(d) Payments to a working proprietor, partners and executive directors not in receipt of a regular salary, fee or commission.

(e) Payments to staffing agencies for services of staff employed by them.

(f) Other benefits in kind.

9B Of which - intra-group transfer pricing expenses and fees and commissions payable

Enter all fees and commissions payable and intra-group transfer pricing expenses / management recharges. Intra-group transfer pricing expenses / management recharges are the costs paid by the UK reporting institution to another UK entity within the same group or non-resident subsidiaries, group-companies or associates. Reporting institutions should report payments 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 IFRS (see Introduction above).

Transfer pricing expenditure should only include payments in relation to services provided by other group entities.

Include any explicit fees payable on finance leases.

9C Other operating expenditure

Items *included* in operating expenses that *exclude* compensation of employees (9A), fees and commissions and transfer pricing (9B). These should only be reported in other expenditure if they represent payments for goods rather than services.

Include

(a) Occupancy costs relating to land and other buildings, such as rent, non-domestic rates and energy costs.

(b) Rentals payable on the hire or lease of assets under operating leases and similar arrangements (but excluding finance leases).

(c) The costs incurred in the course of any hire purchase or other deferred payment agreements entered into.

(d) Costs related to the installation, maintenance, development, and upgrading of IT systems as well as consultancy and training related to IT systems. Purchases of non-bespoke software licensed for perpetual use should be excluded if the medium of delivery is a physical storage device (such as a CD-ROM). All other expenses for the outright purchase or licensing of software should be included, as well expenses for the external hosting or outsourcing of IT functions.

(e) Non-life insurance premiums.

(f) Depreciation.

(g) Any other operating expenditure.

10 Operating profit before provisions for bad and doubtful debts and tax

Total operating income (item 8) less other operating expenses (item 9).

11 Exceptional items

11A Impairments/gains on investments and profits/losses on sale of subsidiaries

Include the value of any impairments or gains made on investments in subsidiaries. Profits/losses made on the sale of subsidiaries where the value received is greater/less than the book value of the company should also be included. This should not include liquidating dividends or the withdrawal of profits accumulated over a long period of time on sale of assets. These constitute exceptional dividends and are treated as a withdrawal of equity in BH item 35.

11B Other exceptional items

Include here all current transfers, provisions for fines and customer redress and any other exceptional activity. Current transfers include voluntary contributions made to non-profit institutions serving households (NPISH). These include all voluntary contributions, membership subscriptions and financial assistance given to NPISH. Donations to universities, charitable contributions, including those in kind in the form of gifts of food, clothing, blankets, medicines etc. should also be included. Sponsoring by corporations should also be included when the sponsorship is not a way of advertising or by receiving another service. Also include bonus claw backs.

Enter the value of any fines or compensation payments paid or provisioned for during the quarter. Amounts should be reported here when they are accounted for and hit the profit and loss account. If a fine or compensation payment has already been provisioned for the utilisation of this provision should therefore not be included here.

All fines and exceptional expenditure items should be recorded as a negative figure on Form BH. For example a £1m fine should be reported as -£1m in Form BH item 11B.

Enter any other exceptional or one-off item not already included within the breakdown above.

12 Pre-tax profit before provisions for bad and doubtful debts and dividends (10 + 11)

Operating profit before provisions (item 16), dividends paid (item 14) and tax (item 13), but after other items, including those which are exceptional and extraordinary (item 11).

13 Tax

Please report all items classified as tax in the published accounts. Please also include any payments made to the Financial Services Compensation Scheme (FSCS) and any payments of the Bank levy.

14 Dividends paid

Enter the value of dividends paid during the period (this should also *include* the cash value of any scrip issues). *Include* all dividends paid on equity including those on short sales (manufactured dividends). Figures should be reported gross of tax and on a cash basis.

Exclude

(a) Income paid on non-participating preference shares.

(b) Exceptional dividend payments that are made out of accumulated reserves, withdrawal of assets on event of dissolution of a foreign-owned reporting branch or subsidiary or sales of assets. Such exceptional payments, sometimes called super dividends should be treated as a withdrawal of equity in BH item 42 rather than a dividend payment.

15 Retained profit before provisions for bad and doubtful debts

Pre-tax profit on ordinary activities (item 12) less tax (item 13) less dividends paid (item 14).

16 **Net provisions for bad and doubtful debts**

Enter here the P&L charge for bad debt provisions. Net provisions are defined as provisions made against impaired financial assets, including interest, less releases and recoveries. This includes financial assets (including income) assessed individually and/or collectively as impaired. Net provisions are the sum of gross provisions, less releases less recoveries.

17 **Retained profit after provisions for bad and doubtful debts**

Retained profit before provisions (item 15) less net provisions (item 16).

PART 2 – BALANCE SHEET ASSETS AND LIABILITIES

BALANCE SHEET LIABILITIES

18 **Commercial paper and other short-term debt issued**

Include here all commercial paper and other short-term debt issued with an original maturity of less than one year.

19 **Long-term debt securities issued**

Include here all issues of medium-term notes, bonds, FRNs, non-participating preference shares and other debt securities with an original maturity of over one year. These should be valued at market value, whether they are bonds on which interest is paid regularly or deep-discounted of zero-coupon bonds on which little or no interest is paid.

20 **Short-term loans**

Enter here all loans, acceptances, repos and overdrafts with an original maturity of less than one year. Please exclude all short-term marketable or potentially marketable securities which should be included within BH18. All lending without an original maturity such as overdrafts should be treated as short-term loans. All transferable loan instruments should be recorded as borrowing from the sector of the original lender.

21 **Long-term loans**

Enter here all loans, repos and overdrafts with an original maturity of more than one year. Please exclude all long-term marketable or potentially marketable securities which should be included within BH19. All transferable loan instruments should be recorded as borrowing from the sector of the original lender.

22 **Equity issued**

Include here the total equity issued by the reporting institution. Equity should include all equity capital and reserves, except non-participating preferred shares which should be reported within item 19. Equity is usually evidenced by shares, share premium, stocks, participations, depository receipts or similar documents. It also includes preferred stocks or shares (with the exception of non-participating preferred shares) that provide for participation in the residual value on dissolution of an incorporated enterprise. They also include the element of reserves, all accumulated retained earnings and capital injections due to the shareholder. Within item 22A include any equity issued by the reporting institution that is quoted/listed on a stock exchange resident in the UK. In 22B include any equity that is issued to a UK resident but not listed on a UK resident stock exchange. Within 22C please include any equity issued outside of the UK, be it listed or unlisted.

23 Derivative liabilities

Report the gross marked to market value of all derivative liabilities box. This should cover both OTC and exchange traded contracts. These should include all swaps, options, forwards and futures, credit derivatives and other derivative products. Reporting institutions should include all contracts at their market or fair value, where the fair value is the amount at which the contract could be exchanged in an arm's length transaction between informed and willing parties. Contracts with a negative marked-to-market value should be recorded as a liability within item 23. The counterpart sector to the transaction should be included within the breakdown items 23A-C.

24 Other liabilities

Include here any provisions on loans and other liabilities on your balance sheet not itemised in boxes 18-23.

25 Total liabilities

Enter here your total liabilities. This should be equal to the sum of items 18-24.

BALANCE SHEET ASSETS

26 Holdings of debt securities

Include here all holdings of commercial paper, certificates of deposit, treasury bills, medium-term notes, bonds, FRNs, non-participating preference shares and other debt securities. These should be valued at market value, whether they are bonds on which interest is paid regularly or deep-discounted of zero-coupon bonds on which little or no interest is paid.

27 Loans

Enter here all loans and reverse repos. Please exclude all marketable securities which should be included within item 26. All transferable loan instruments should be recorded as lending to the sector of the original borrower. The total should be entered in item 27 with the sub items entered in 27A-E according to the sector and residency of the counterparty. Do not deduct provisions for bad and doubtful debts, but show all loans and advances gross and include provisions within item 24.

28 Investments in equity

Include here the total investment in equity by the reporting institution. Equity should include all equity capital and reserves, except non-participating preferred shares which should be reported within item 26. Equity is usually evidenced by shares, share premium, stocks, participations, depository receipts or similar documents. It also includes preferred stocks or shares (with the exception of non-participating preferred shares) that provide for participation in the residual value on dissolution of an incorporated enterprise. They also include the element of reserves, all accumulated retained earnings and capital injections due to the reporting institution. Equity can be reported at own funds at book value. Please include a sector breakdown of all equity owned by the reporting institution in items 28A-28F.

29 Derivative assets

Report the gross marked to market value of all derivative assets in this box. This should cover both OTC and exchange traded contracts. These should include all swaps, options, forwards and futures, credit derivatives and other derivative products. Reporting institutions should include all contracts at their market or fair value, where the fair value is the amount at which the contract could be exchanged in an arm's length transaction between informed and willing parties. Contracts with a positive marked-to-market value should be recorded as an asset within item 29. The counterpart sector to the transaction should be included within the breakdown items 29A-C.

30 Other assets

Include here any other assets on your balance sheet not itemised in boxes 26-29.

31 Total assets

Enter here your total liabilities. This should be equal to the sum of items 26-30.

PART 3 – NON-RESIDENT BUSINESS

This part of the form collects a geographic breakdown of certain non-resident items. The purpose of this form is to collect a variety of data relevant to the UK balance of payments and International Investment Position, broken down by geographical location of the immediate counterparty. This comprises data on outward direct investment and inward direct investment.

Direct investment

The primary purpose of this part of the form is to measure and provide a geographical breakdown of outward and inward foreign direct investment. These data are included in the UK Balance of Payments statistics. Direct investment relationships arise when a direct investor directly owns equity that entitles it to 10 per cent or more of the voting power in the direct investment enterprise. Outward direct investment covers foreign direct investment by UK resident reporting institutions in their non-resident subsidiaries and associates. Inward direct investment covers foreign direct investment by non-residents in UK resident reporting institutions.

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 part 38, paragraph 1159 of the Companies Act 2006.

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.

Do not include outward acquisitions or disposals made by a UK subsidiary of the reporting institution. There is no requirement to report equity investments in non-resident branches on this form as branches are deemed not to have any equity. Please do however include all intra-group loans and debt instruments between direct investment entities.

The form should be completed quarterly by a panel of holding companies selected by the Bank of England. The reporting population is reviewed periodically. The classification used in this return are the same as those used in other Bank of England returns; see the general section of the definitions and the Classification of Accounts Guide.

BH Item **Outward direct investment**

32 **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 in BH item 35 rather than a dividend received.

Report against the country that the dividend was immediately received from.

33 **Reporting institutions share of the non-resident subsidiary or associated company's profits (+) or losses (-) 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. Enter profits / losses whether or not remitted to the reporting institution. The profits should be reported on a current operating performance basis, as opposed to an all inclusive basis. This should be the sum of net interest, net dividends, operating income *less* operating expenditure *less* tax of the subsidiary. It should not include any realised / unrealised gains/losses, exceptional items or provisions of bad and doubtful debts.

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

34 Acquisitions of equity in non-resident subsidiaries and associates

The reporting institution should report the acquisition or additional investment in ordinary shares and other equity of their non-resident subsidiaries and associates. Include only those investments made directly. Issues of ordinary shares, capital injections due to the parent should also be included. <u>Acquisitions should be reported gross.</u>

35 Disposals of equity in non-resident subsidiaries and associates

The reporting institution should report the disposal of ordinary shares and other equity of their non-resident subsidiaries and associates. Any exceptional dividends or withdrawals of equity should also be included. Include only those investments made directly. <u>Disposals should be reported gross.</u>

36 Equity held in non-resident subsidiaries and associates

The reporting institution should include details of all outstanding investments in quoted and unquoted ordinary shares and other quoted and unquoted equity of their non-resident subsidiaries and associates regardless of when the investment was originally made. Issues of quoted/unquoted ordinary shares and other quoted/unquoted equity funded by dividends due to the parent should also be included. Amounts outstanding should implicitly include cumulative retained earnings and other reserves.

We would expect the quarter on quarter change in BH36 to be broadly similar to the net value of the transactions reported for the quarter in BH34 and BH35 after allowing for changes to the level of retained earnings and revaluation effects.

37 Loans to non-resident subsidiaries / debt issued by non-resident subsidiaries

The reporting institution should report the total amount outstanding of both loans to non-resident subsidiaries and associates as well as any holdings of debt securities issued by non-resident subsidiaries and associates.

38 **Loans from non-resident subsidiaries / debt issued to non-resident subsidiaries**

The reporting institution should report the total amount outstanding of both loans from non-resident subsidiaries and associates as well as any issues of debt securities by the reporting institution held by non-resident subsidiaries and associates.

Inward direct investment

39 **All dividends paid to the non-resident parent company during the period**

Enter those dividends paid to the non-resident parent company. Include all dividends paid, even though these may relate to profits earned in an earlier period. Refer to item 14 in Part 1 for a definition of dividends paid.

Exclude

Exceptional dividend payments 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 in BH item 42 rather than a dividend payment.

Report against the country that the dividend was paid to.

40 **Profits (+) / losses (-) attributable to non-resident parent company**

Enter the share of profit / loss in accordance with the non-resident investor's proportionate holding of the reporting institutions' ordinary shares. The profits should be reported on a current operating performance basis, as opposed to an all inclusive basis. This should be the sum of net interest, net dividends, operating income *less* operating expenditure *less* tax of the subsidiary. It should not include any realised / unrealised gains/losses, exceptional items or provisions of bad and doubtful debts. If the reporting institution is 100% foreign owned then we would expect this box to be equal to item BH10 less BH5.

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 an immediate direct investment in the subsidiary or associate company.

41 **Acquisitions of equity in the UK entity by a non-resident parent**

Foreign owned subsidiaries or associates should report the acquisition or additional investment in quoted/unquoted ordinary shares and other equity by their non-resident parent company during the reporting period. Issues of ordinary shares, capital injections due to the parent should also be included. Acquisitions should be reported gross and be greater or equal to zero.

42 **Disposals of equity in the UK entity by a non-resident parent**

Foreign owned subsidiaries or associates should report the disposal of ordinary shares and other equity by their non-resident parent company during the reporting period. Any exceptional dividends or withdrawals of equity should also be included. Disposals should be reported gross.

43 **Equity held by non-resident parents in the reporting institution**

Foreign owned subsidiaries or associates should include details of all outstanding investments in ordinary shares and other equity by their non-resident parent company regardless of when the investment was originally made. Holdings ordinary shares by the parent should also be included. Amounts outstanding should implicitly include cumulative retained earnings and other reserves.

We would expect the quarter on quarter change in BH43 to be broadly similar to the net value of the transactions reported for the quarter in BH41 and BH42 after allowing for changes to the level of reserves, retained earnings and revaluation effects.

44 **Loans from non-resident parent / debt issued to non-resident parent**

The reporting institution should report the total amount outstanding of both loans from non-resident parents as well as any issues of debt securities by the reporting institution held by non-resident parents.

45 **Loans to non-resident parent / holdings of debt issued by non-resident parent**

The reporting institution should report the total amount outstanding of both loans to non-resident parents as well as any issues of debt securities by the non-resident parent held by the reporting institution.

Form BH: Bank holding companies return
Appendix to Definitions

This appendix highlights the treatment of the subjects listed below, and should act as an accompaniment to the BH definitions.

(i) Revisions and adjustments to prior period data

(ii) Transfer pricing and intra-company recharges

(i) Revisions and adjustments to prior period data

As the BH data is used in the compilation of GDP and Balance of Payments, it is essential that the data are captured in the correct period. If there are any revisions to previous quarters/years, please consult with us prior to resubmitting the correct figures for these quarters/years as the timing of these will need to be managed with the Office of National Statistics.

If there are adjustments to be made relating to prior periods and you are unsure how they should be treated, contact the appropriate person at the Bank of England.

If any revisions or adjustments total less than £1 million and as such they are not seen as material within the overall context of your figures, they need not be included. If you need any further guidance of materiality, contact the appropriate person at the Bank of England.

(ii) Transfer pricing and inter-company recharges

Transfer pricing should capture income and expenditure on services provided to each other by group entities. There are two common types of such service income and expenditure:

It is important to note that "cost recharges" should not include any transfers of profit for deals made on clients' behalf. Such profit transfers occur when the reporter books a deal on behalf of another group entity, with net profit transferred back to that group entity. In this case both the dealing profit and the transfer out of this profit should be recorded under item 5. Any trading profit transfers classified as transfer pricing in the financial accounts should be reported under realised and unrealised gains/losses on Form BH.

<u>Valuation</u>

The general principles in national and commercial accounting guidelines, which should be followed here, are that transfer pricing should reflect market value or estimated market value if an appropriate market comparison is not possible. Costs and income should be matched to the location where the work was conducted. This practice should be in line with HM Revenue and Customs' requirements for completion of tax returns.