



STEP B: Is the entity a VIE?

B1: Is total equity at risk sufficient to financially support the entity's activities without additional subordinated financial support? ⁶

YES

B2: As a group, do the holders of the equity investment at risk have voting or similar rights that control any significant activities that will influence the economic performance of the entity? ⁷

YES

B3: Are the voting rights of some investors proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both? ⁷

YES

The entity is not a variable interest entity. It is subject to consolidation based on ARB 51 (*Controlling Interest*).

NO

NO

NO

It is a VIE. Go to **Step C**.

STEP C: Does the RE have a variable interest?

C1: Does the RE hold any explicit variable interests in the entity? For example:

- Equity ownership
- Debt or guarantee of debt
- Purchase option at other than fair value
- Certain fees received in the capacity of a decision maker or service provider
- Other instances ⁸

YES

NO

C2: Does the RE hold any implicit variable interests in the entity? ⁹

YES

NO

C3: Does the RE hold a variable interest in specified assets of the entity? ¹⁰

YES

NO

VIE guidance does not apply.

The RE holds a variable interest in the entity. Go to **Step D**.

