

FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities: Comment Request

AGENCY: Board of Governors of the Federal Reserve System (Board)

ACTION: Notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (the “agencies”) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies’ publication for public comment of a proposal to extend, with revision, the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S), which are currently approved information collections. The Board is publishing this proposal on behalf of the agencies. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC and the agencies should modify the reports. The Board will then submit the reports to OMB for review and approval.

DATES: Comments must be submitted on or before March 17, 2008.

ADDRESSES: Interested parties are invited to submit written comments to the agency listed below. All comments, which should refer to the OMB control numbers, will be shared among the agencies. You may submit comments, identified by FFIEC 002 (7100-0032) or FFIEC 002S (7100-0273), by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include the OMB control number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, N.W.) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street N.W., Washington, DC 20503, or by fax to 202-395-6974.

FOR FURTHER INFORMATION CONTACT: Additional information or a copy of the collections may be requested from Michelle E. Shore, Federal Reserve Board Clearance Officer, 202-452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve

System, 20th and C Streets, N.W., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call 202-263-4869.

SUPPLEMENTARY INFORMATION:

Proposal to extend for three years with revision the following currently approved collections of information:

Report Titles: Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks; Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank

Form Numbers: FFIEC 002; FFIEC 002S

OMB Numbers: 7100-0032; 7100-0273

Frequency of Response: Quarterly

Affected Public: U.S. branches and agencies of foreign banks

Estimated Number of Respondents: FFIEC 002 - 264; FFIEC 002S - 65

Estimated Time per Response: FFIEC 002 - 25 hours; FFIEC 002S - 6 hours

Estimated Total Annual Burden: FFIEC 002 - 26,400 hours; FFIEC 002S - 1,560 hours

General Description of Reports: These information collections are mandatory: 12 U.S.C. §§ 3105(c)(2), 1817(a)(1) and (3), and 3102(b). Except for select sensitive items, the FFIEC 002 is not given confidential treatment and the FFIEC 002S is given confidential treatment [5 U.S.C. § 552(b)(4) and (8)].

Abstract: On a quarterly basis, all U.S. branches and agencies of foreign banks are required to file the FFIEC 002, which is a detailed report of condition with a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the International Banking Act of 1978. The data are also used to augment the bank credit, loan, and

deposit information needed for monetary policy and other public policy purposes. The FFIEC 002S is a supplement to the FFIEC 002 that collects information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of the foreign bank. Managed or controlled means that a majority of the responsibility for business decisions, including but not limited to decisions with regard to lending or asset management or funding or liability management, or the responsibility for recordkeeping in respect of assets or liabilities for that foreign branch resides at the U.S. branch or agency. A separate FFIEC 002S must be completed for each managed or controlled non-U.S. branch. The FFIEC 002S must be filed quarterly along with the U.S. branch or agency's FFIEC 002. The data from both reports are used for: (1) monitoring deposit and credit transactions of U.S. residents; (2) monitoring the impact of policy changes; (3) analyzing structural issues concerning foreign bank activity in U.S. markets; (4) understanding flows of banking funds and indebtedness of developing countries in connection with data collected by the International Monetary Fund (IMF) and the Bank for International Settlements (BIS) that are used in economic analysis; and (5) assisting in the supervision of U.S. offices of foreign banks. The Federal Reserve System collects and processes these reports on behalf of all three agencies.

Current Actions: The agencies propose to implement a number of revisions to the existing reporting requirements of the FFIEC 002. The proposed revisions would help to achieve consistency with the Reports of Condition and Income (Call Report) (FFIEC 031 and FFIEC 041) filed by insured commercial banks and state-chartered savings banks. The agencies are also proposing to combine the FFIEC 002 and FFIEC 002S into one OMB control number, 7100-0032. The proposed revisions to the FFIEC 002 summarized below have been approved for publication by the FFIEC. The agencies would implement the proposed changes for the June

30, 2008, reporting date.

Discussion of Proposed Revisions

A. Officer Signature Requirements and Contact Information

Considering the importance of data quality, the agencies believe that it is most appropriate for the branch or agency's chief financial officer (or the individual performing an equivalent function) to ensure that the FFIEC 002 and FFIEC 002S are reported accurately. The agencies are proposing to revise the existing officer signature requirement so that the FFIEC 002 and FFIEC 002S must be signed by the branch or agency's chief financial officer rather than by any authorized officer of the branch or agency. In signing the FFIEC 002 and FFIEC 002S, the chief financial officer would attest that the reporting forms have been prepared in conformance with the instructions issued by the FFIEC and are true and correct to the best of the officer's knowledge and belief. The agencies would also retain the existing requirement for the branch or agency's senior executive officer to sign the report.

The agencies are also proposing to add contact information (name, title, e-mail address, telephone number, and fax number) for the chief financial officer and another person to whom questions about the reports should be directed to facilitate communication between the agencies and the branch or agency concerning the FFIEC 002 and FFIEC 002S.

B. Bankers Acceptances

The FFIEC 002 balance sheet (Schedule RAL) requires branches and agencies to separately disclose the amount of their "Customers' liability to this branch or agency on acceptances outstanding" (data items 1.g.(1) and 1.g.(2)) and their "Branch or agency liability on acceptances executed and outstanding" (data item 4.d). On the loan schedule (Schedule C) branches and agencies disclose "Holdings of own acceptances included in Schedule C, part I,

item 4” (data item M.2). On the derivatives and off-balance-sheet items schedule (Schedule L) branches and agencies disclose “Participations in acceptances conveyed to others by the reporting branch or agency” (data item 5). On the confidential due from/due to related institutions in the U.S. and in Foreign Countries schedule (Schedule M, Part V) branches and agencies disclose “Participations in acceptances conveyed to related depository institutions by the reporting branch or agency” (data item 5). Over time, the volume of acceptance assets and liabilities as a percentage of industry assets and liabilities has declined substantially to a nominal amount, with only a small number of branches and agencies submitting these data items. The agencies are proposing to delete these six data items and branches and agencies would be instructed to include any acceptance assets and liabilities (other than holdings of the reporting branch or agency’s own acceptances) in “Other assets” and “Other liabilities,” respectively, on the FFIEC 002 balance sheet.

C. Scope of Securitizations to Be Included in Schedule S

In column G of Schedule S, “Servicing, Securitization, and Asset Sale Activities,” branches and agencies submit information on securitizations and on asset sales with recourse or other seller-provided credit enhancements involving loans and leases other than those covered in columns A through F. Although the scope of Schedule S was intended to cover all of a branch’s or agency’s securitizations and credit-enhanced asset sales, as currently structured column G does not capture transactions involving assets other than loans and leases. As a result, securitization transactions involving such assets as securities, for example, have not been submitted in Schedule S. Therefore, the agencies propose to revise the scope of column G to encompass “All Other Loans, All Leases, and All Other Assets” to ensure that they can identify and monitor the full range of branches’ and agencies’ involvement in and credit exposure to

securitizations and asset sales. As a result, column G would begin to reflect securitization transactions involving such assets as securities. With fewer than 5 branches and agencies submitting data on securitizations in column G of Schedule S at present, the proposed change in the scope of column G is expected to affect only a nominal number of branches and agencies.

D. Breakdown of Real Estate Loans by Category

FFIEC 002 reporters have become increasingly involved in real estate lending and the agencies are proposing that “Loans secured by real estate” (Schedule C, data item 1) be broken out by category in order to better track this activity. The proposed change would also make the FFIEC 002 more consistent with the Call Report. Specifically, the agencies are proposing to add the following categories of loans secured by real estate:

- Construction, land development, and other land loans;
- Loans secured by farmland (including farm residential and other improvements);
- Revolving, open-ended loans secured by 1-4 family residential properties and extended under lines of credit;
- Closed-end loans secured by 1-4 family residential properties;
- Loans secured by multi-family (5 or more) residential properties; and
- Loans secured by nonfarm nonresidential properties.

E. Reporting of Certain Fair Value Measurements and the Use of the Fair Value Option

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements* (FAS 157), which generally is effective for banks and other entities for fiscal years beginning after November 15, 2007. On February 15, 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), which is effective for banks and other entities for fiscal years beginning

after November 15, 2007. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the entity has not yet issued a financial statement or filed an FFIEC 002 for any period of that fiscal year. Early adoption of FAS 159 was also permitted provided the entity also elected to apply FAS 157 at the same date or earlier. In addition, the FASB also issued Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), and Statement No. 156, *Accounting for Servicing of Financial Assets* (FAS 156), in 2006.

The fair value measurements standard provides guidance on how to measure fair value and requires entities to disclose the inputs used to measure fair value based on a three-level hierarchy for all assets and liabilities that are remeasured at fair value on a recurring basis.¹ FAS 155, FAS 156, and FAS 159 allow entities to irrevocably elect to report certain financial and servicing assets and liabilities at fair value with the changes in fair value included in earnings. This accounting election is referred to as a fair value option.

The agencies are proposing to add a new Schedule Q to the FFIEC 002 to collect data, by major asset and liability category, on the total fair value of those assets and liabilities within the category to which a fair value option has been applied along with separate disclosure of the amount of such assets and liabilities within the category whose fair values were estimated under Levels 1, 2, and 3 of the FASB's fair value hierarchy. The schedule would also include an item

¹ The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date (e.g., the FFIEC 002 reporting date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

for each asset and liability category that would allow branches and agencies to report any amounts netted in the determination of total fair value reported for that category on Schedule

RAL. The categories are:

- Securities held for purposes other than trading with changes in fair value reported in current earnings;
- Loans and leases;
- All other financial assets and servicing assets;
- Deposit liabilities;
- All other financial liabilities and servicing liabilities; and
- Loan commitments (not accounted for as derivatives).

In addition, the agencies propose to collect fair value data on trading assets and trading liabilities in new Schedule Q from those branches and agencies that reported trading assets (the sum of Schedule RAL, data items 1.f.1 and 1.f.2, column A) of \$2 million or more for any of the four preceding quarters.² In the proposed new schedule, such entities would report the total fair value carrying amount of trading assets and trading liabilities as well as a breakdown of these assets and liabilities into the three fair value levels under FASB's fair value hierarchy and any netted amounts. Trading assets and trading liabilities are required to be reported at fair value and, thus, are not covered under the fair value option. The proposed change would also make the FFIEC 002 more consistent with the Call Report.

² For example, if a branch or agency reported trading assets of \$2 million or more for the first time in its FFIEC 002 for March 31, 2008, it would begin to report the proposed fair value data on trading assets and trading liabilities in Schedule Q in its FFIEC 002 for June 30, 2008. Assuming the branch or agency reported trading assets of less than \$2 million in its FFIEC 002 for June 30, 2008 and subsequent report dates, it would complete the Schedule Q items for trading assets and liabilities in its FFIEC 002 for June 30, 2008, through March 31, 2009, but would discontinue completing these items beginning June 30, 2009.

The agencies are also proposing to add memorandum items to capture the fair value and unpaid principal balance of loans measured at fair value under a fair value option. One set of memorandum items would apply to such loans that are reported in “Other trading assets” (data item 1.f.2) on Schedule RAL and another set would apply to such loans that are reported on Schedule C. These proposed memorandum items would collect data for the following categories of loans:

- Construction, land development, and other land loans;
- Loans secured by farmland (including farm residential and other improvements);
- Revolving, open-ended loans secured by 1-4 family residential properties and extended under lines of credit;
- Closed-end loans secured by 1-4 family residential properties;
- Loans secured by multi-family (5 or more) residential properties;
- Loans secured by nonfarm nonresidential properties;
- Commercial and industrial loans; and
- Other loans.

These additional data items are necessary to enable the agencies to understand the differences between fair value and contractual cash flows for loans to which the fair value option is applied and to improve the agencies’ ability to make comparisons among entities that elect a fair value option and those that do not, consistent with proposed Call Report changes.

F. Time Deposits Data

The Federal Reserve uses data from Schedule E, Deposit Liabilities, to ensure accurate construction of the monetary aggregates for monetary policy purposes. In order to more accurately calculate the monetary aggregates, the agencies propose to revise “Total time deposits

of \$100,000 or more” (data item M.1.a). Memorandum item 1.a would be revised to exclude brokered time deposits issued in denominations of \$100,000 or more that are participated out by the broker in shares of less than \$100,000 as well as brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit (when information on the number of \$1,000 amounts held by each of the broker’s customers is not readily available to the branch or agency). A corresponding change would be made to Memorandum item 1.c, “Time certificates of deposit of \$100,000 or more with remaining maturity of more than 12 months.”

In addition, as a result of the increase in the deposit insurance limit for certain retirement plan deposit accounts from \$100,000 to \$250,000, a new Memorandum item 1.b, “Individual Retirement Accounts (IRAs) and Keogh Plan accounts included in Memorandum item 1.a, ‘Total time deposits of \$100,000 or more,’ above,” would be added to Schedule E to separately identify the portion of the total time deposits of \$100,000 or more reported in Memorandum item 1.a that represents IRA and Keogh Plan accounts. This new memorandum item is also necessary to support the accurate calculation of the monetary aggregates.

The agencies are proposing a similar instructional change for Schedule O that would direct insured branches to include brokered time deposits, as discussed above, in Memorandum item 1.a, “Deposit accounts of \$100,000 or less,” and to exclude these brokered time deposits from Memorandum item 1.b, “Deposit accounts of more than \$100,000.”

G. Information on Credit Derivatives

Branches and agencies currently report the notional amounts of the credit derivatives on which they are the guarantor and on which they are the beneficiary as well as the gross positive and negative fair values of these credit derivatives in Memoranda items 1 and 2 of Schedule L, Derivatives and Off-Balance Sheet Items, and Schedule M, Due from/Due to Related Institutions

in the U.S. and in Foreign Countries, Part V. The agencies propose to revise these existing items so that branches and agencies with credit derivatives will provide a breakdown of these notional amounts by type of credit derivative: credit default swaps, total return swaps, credit options, and other credit derivatives, with those where the branch or agency is the guarantor reported in column A and those where the branch or agency is the beneficiary in column B. Branches and agencies would continue to separately report the gross positive and negative fair values of credit derivatives on which they are the guarantor and the beneficiary without a breakdown by type of credit derivative. The agencies are also proposing to move credit derivatives from a memoranda item to a line item on Schedule L and Schedule M, Part V.

H. Revising the Reporting of Federal Funds Transactions and Securities Repurchase/Resale Agreements

On Schedule RAL, the agencies are proposing to revise the existing breakdowns of federal funds sold and securities purchased under agreements to resell that are reported in data items 1.d.1 and 1.d.2, respectively. First, the counterparty coverage of the federal funds sold and securities resale agreements reported in data items 1.d.1.a and 1.d.2.a would be changed from depository institutions in the U.S. to commercial banks in the U.S. This revision would facilitate the derivation of interbank loans, used for a weekly Federal Reserve release.

Second, the agencies are proposing to add two-way breakdowns of federal funds sold to others, currently reported in data item 1.d.1.b, and securities resale agreements with others, currently reported in data item 1.d.2.b. In the first two-way breakdown, branches and agencies would separately report federal funds sold to nonbank brokers and dealers in securities and federal funds sold to others (including depository institutions in the U.S. other than commercial banks). Similarly, branches and agencies would separately report securities resale agreements

with nonbank brokers and dealers in securities and securities resale agreements with others (including depository institutions in the U.S. other than commercial banks). This revision would facilitate the derivation of total security loans, used for a weekly Federal Reserve release.

On the liability side, the agencies are proposing a more limited revision of the existing breakdowns of federal funds purchased and securities sold under agreements to repurchase that are reported in data items 4.b.1 and 4.b.2, respectively. Thus, the counterparty coverage of the federal funds purchased and securities repurchase agreements reported in data items 4.b.1.a and 4.b.2.a would be changed from depository institutions in the U.S. to commercial banks in the U.S. As a result, federal funds purchased from and securities repurchase agreements with depository institutions in the U.S. other than commercial banks would be included in data item 4.b.1.b, “Federal funds purchased from others,” and data item 4.b.2.b, “Securities sold under agreements to repurchase with others,” respectively. This would facilitate the collection of data on borrowings from commercial banks in the U.S. and borrowings from others that is published weekly in Federal Reserve releases. A further breakdown of the “Other borrowed money” reported in data item 4.c of Schedule RAL would not be required since data on such borrowings from commercial banks in the U.S. is already available from Schedule P of the FFIEC 002.

I. Deposit Insurance Assessment Revisions for FDIC-Insured Branches

On November 30, 2006, the FDIC published a final rule amending Part 327 of its regulations, “Assessments,” to improve and modernize its operational systems for deposit insurance assessments (71 FR 69270). These amendments to Part 327 revised the definition of the assessment base for deposit insurance purposes to be consistent with Section 3(l) of the Federal Deposit Insurance Act (FDI Act). This was intended to eliminate the need for periodic updates to the FDIC’s assessment regulations in response to outside factors and allow a

simplification of the associated reporting requirements. In addition, to address timing issues with quarter-end reporting, under amended Part 327, the FDIC will use daily average deposits and exclusions over the quarter instead of quarter-end totals for deposits and exclusions to compute the assessment base for insured institutions with \$1 billion or more in assets and other institutions that meet specified criteria. All other insured institutions may opt permanently to determine their assessment base using daily averages.

In conjunction with these amendments to Part 327 of the FDIC's regulations, the agencies revised and reduced the overall reporting requirements related to deposit insurance assessments in the Call Report in order to simplify regulatory reporting. These assessment data reporting changes included an interim transition period during 2007 with final implementation of the revised Call Report requirements taking place in 2008. The agencies are proposing to make comparable changes to the reporting requirements related to deposit insurance assessments in Schedule O of the FFIEC 002 for those branches of foreign banks that are insured by the FDIC. These proposed revised reporting requirements would contain the following key elements:

- Insured branches would separately report (a) gross deposits as defined in Section 3(l) of the FDI Act (12 U.S.C. 1813(l)) before any allowable exclusions, (b) allowable exclusions, including foreign deposits, and (c) foreign deposits;
- The same data items would be reported for both quarter-end and daily average deposits;
- All insured branches would report using quarter-end deposits, allowable exclusions, and foreign deposits; and
- All insured branches with \$1 billion or more in total claims on nonrelated parties, and other insured branches that meet specified criteria, would also report daily averages for deposits, allowable exclusions, and foreign deposits in addition to quarter-end amounts.

The agencies would also provide an interim transition period covering the June 30, 2008, through December 31, 2008, report dates during which insured branches would have the option to submit Schedule O using either the current or revised formats for reporting data for measuring their assessment base. An insured branch that chooses to begin reporting under the revised format in any quarter during the interim period would be required to continue to report under the revised format through the rest of the interim period and would not be permitted to revert back to the current reporting format. The revised reporting format would take effect for all insured branches on March 31, 2009, at which time the current reporting format would be eliminated. Although no insured branch that chose to report under the revised format during the 2008 interim period would be required to report daily averages during this period, any insured branch could elect to report daily averages as of any quarter-end report date (beginning June 30) in 2008. However, once an insured branch begins to report daily averages (even during the interim period), it would be required to continue to report daily averages each quarter thereafter in Schedule O of its FFIEC 002.

At present, 20 items are required in Schedule O of the FFIEC 002 to determine an insured branch's assessment base. As proposed by the agencies, the changes to Schedule O would effectively reduce the number of reported items to as few as two for certain small insured branches (without foreign deposits) and no more than six for other insured branches. Specifically, the agencies propose to replace items 1 through 7 and Memorandum items 4 and 5 (including their subitems) on Schedule O, "Other Data for Deposit Insurance Assessments," with the following six items:

- Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the FDI Act and FDIC regulations;

- Total allowable exclusions (including foreign deposits);
- Total foreign deposits (included in total allowable exclusions);
- Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(1) of the FDI Act and FDIC regulations;
- Total daily average of allowable exclusions (including foreign deposits); and
- Total daily average of foreign deposits (included in total daily average of allowable exclusions).

Thus, instead of starting with total demand deposits and total time and savings deposits as reported in Schedule O of the FFIEC 002 and making adjustments to these reported deposits for purposes of measuring an insured branch's assessment base, which is the present method, the computation of the insured branch's assessment base under the FDIC's amended assessment regulations and these proposed revisions to the FFIEC 002 would start with the gross total deposit liabilities that meet the statutory definition of deposits in Section 3(1) of the FDI Act before any allowable exclusions from the definition. The total amount of allowable exclusions from the assessment base would be reported separately for any insured branch that maintains such records as will readily permit verification of the correctness of its assessment base. The allowable exclusions, which are set forth in Section 3(1)(5) and other sections of the FDI Act and in the FDIC's regulations, include foreign deposits (including International Banking Facility deposits), reciprocal balances, drafts drawn on other depository institutions, pass-through reserve balances, depository institution investment contracts, and deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment at maturity. The net amount of unposted debits and credits would no longer be considered within the definition of the assessment base.

The agencies believe that the amount of gross total deposit liabilities that meet the statutory definition of deposits is typically found in and supported by the control totals in an insured branch's deposit systems that provide the detail sufficient to track, control, and handle inquiries from depositors about their specific individual accounts. These deposit systems can be automated or manual. In any case, control totals for deposit liabilities should be readily available, which should ease an insured branch's transition to the revised Schedule O reporting requirements. Compared to the amount of information that an insured branch currently reports in order to determine its assessment base, the proposed changes to the Schedule O reporting requirements should also facilitate the reporting of daily averages for deposits and allowable exclusions since many of the presently reported adjustments will not need to be tracked and averaged separately.

In addition to quarter-end balance reporting, insured branches that meet certain criteria would be required to report average daily deposit liabilities, average daily allowable exclusions, and average daily foreign deposits to determine their assessment base effective March 31, 2009. The amounts to be reported would be averages of the balances as of the close of business for each day for the calendar quarter. For days that an insured branch is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An insured branch is considered closed if there are no transactions posted to the general ledger as of that date.

The agencies are proposing to require an insured branch to report daily averages beginning March 31, 2009, if it reports \$1 billion or more in total claims on nonrelated parties in data item 1.i, column A, of Schedule RAL of the FFIEC 002 for March 31, 2008, regardless of the amount its total claims on nonrelated parties in subsequent quarters. In addition, if an

insured branch reports \$1 billion or more in total claims on nonrelated parties in Schedule RAL in two consecutive FFIEC 002 reports beginning with its June 30, 2008, report, daily average reporting would begin on the later of March 31, 2009, or the report date six months after the second consecutive quarter. An insured branch reporting less than \$1 billion in total claims on nonrelated parties in Schedule RAL of its FFIEC 002 for March 31, 2008, would be permitted to continue to determine its assessment base using quarter-end balances until it met the two-consecutive-quarter total claims size test for reporting daily averages unless it opted to determine its assessment base using daily averages. After an insured branch begins to report daily averages for its total deposits, allowable exclusions, and foreign deposits, either voluntarily or because it is required to do so, the insured branch would not be permitted to switch back to reporting only quarter-end balances.

Under this proposal, insured branches will continue to report information on the number and amount of deposit accounts, the estimated amount of uninsured deposits (if total claims on nonrelated parties are \$1 billion or more), and preferred deposits in Memorandum items 1 through 3 of Schedule O. However, the agencies are proposing to reduce the reporting frequency for the memorandum item for preferred deposits. This memorandum item would be reported only as of December 31 each year, which is consistent with the reporting frequency in the Call Report, rather than quarterly as at present.

J. Instructional Clarifications

For Schedule E, Column D, branches and agencies report all deposit liabilities of their International Banking Facilities (IBF). A footnote on the reporting form indicates that amounts in this column should exclude those IBF liabilities to be reported as federal funds purchased and securities sold under agreements to repurchase or as other borrowed money. In contrast, the

FFIEC 002 instructions for Schedule E state that branches and agencies should “[r]eport in column D all deposit liabilities of the branch or agency’s International Banking Facility liabilities, regardless of whether they are transaction or nontransaction accounts. For purposes of this report, IBF deposit liabilities include deposits, placements, borrowings and similar obligations represented by promissory notes, acknowledgements of advance, or similar instruments that are *not* issued in negotiable or bearer form and that are issued to other IBFs or to nonrelated non-U.S. addressees, including banks.” Since the FFIEC 002 instructional language conflicts with the language in the footnote on the reporting form, which provides correct guidance, the agencies will clarify the FFIEC 002 instructional language by removing the second sentence of the current instruction to Column D and by deleting the word “liabilities” the second time it appears in the first sentence of the current instruction.

Request for Comment

International Financial Reporting Standards

On November 15, 2007, the Securities and Exchange Commission (SEC) approved amendments to its rules that would allow foreign private issuers to file financial statements prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board without a reconciliation to U.S. generally accepted accounting principles (GAAP). The agencies have received a number of questions concerning the potential use of IFRS in regulatory reports, including the FFIEC 002 and FFIEC 002s.

The current reporting basis for the FFIEC 002 and FFIEC 002s is GAAP. The agencies are evaluating the potential use of IFRS in the FFIEC 002 and FFIEC 002S. As part of this analysis, the agencies request comment on the following:

(a) the ability of respondents to prepare the FFIEC 002 and FFIEC 002s based on IFRS as issued by the International Accounting Standards Board;

(b) the degree to which respondents would need the agencies to provide specific reporting instructions to supplement IFRS to accurately prepare the FFIEC 002 and FFIEC 002s; and

(c) the amount of time respondents would need to prepare their systems, personnel, and processes to transition from the current GAAP-based FFIEC 002 and FFIEC 002S to IFRS-based reports.

Paperwork Reduction Act Request for Comment

Comments are invited on:

a. Whether the information collections are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

b. The accuracy of the agencies' estimate of the burden of the information collections, including the validity of the methodology and assumptions used;

c. Ways to enhance the quality, utility, and clarity of the information to be collected;

d. Ways to minimize the burden of the information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this notice will be shared among the agencies. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimate and ways to minimize burden including the use of automated

collection techniques or the use of other forms of information technology as well as other relevant aspects of the information collection request.

Board of Governors of the Federal Reserve System, January 10, 2008.

(signed)

Jennifer J. Johnson,
Secretary of the Board.