

## **Supporting Statement for the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223)**

### **Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223). The Federal Reserve uses this voluntary survey to collect qualitative and limited quantitative information about liability management, the provision of financial services, and the functioning of key financial markets from a selection of up to 60 large commercial banks (or, if appropriate, from other depository institutions or major financial market participants). Consistent with the Senior Loan Officer Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058), responses are obtained from a senior officer at each participating institution through a telephone interview conducted by the Federal Reserve. Although the survey may not be collected in a given year, authority is requested to conduct it up to four times per year when major informational needs arise and cannot be met from existing data sources.

The annual burden for the FR 2023 survey is estimated to be 240 hours, based on four surveys per year. The survey does not have a fixed set of questions; each survey consists of a limited number of questions directed at topics of timely interest. Accordingly, a sample form is not included with this proposal.

### **Background and Justification**

The Federal Reserve uses the Senior Financial Officer Survey to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management practices. The survey helps pinpoint developing trends in bank funding practices, enabling the Federal Reserve to distinguish these trends from transitory phenomena. It also complements other deposit reports that, by themselves, provide limited insight into the causes of the changing behavior of deposit holders and depository institutions. Moreover, the survey has given the Federal Reserve the opportunity to follow periodic developments in financial markets related to extraordinary events that are beyond the scope of other reports.

In February 1994, a survey requested information about the availability and profitability of providing brokerage services to retail customers and the provision of non-brokerage services to mutual funds. This survey found evidence that large banks were continuing to expand their retail brokerage programs and helped quantify the importance of these activities for bank profitability. Another survey conducted in December 1994 focused on bank funding practices. Results from this survey helped identify factors that explained banks' increased reliance on managed liabilities to fund domestic credit. In May 1996, a survey was designed and conducted to investigate bank reserve management practices in order to increase understanding of how banks might operate with low required reserve balances. Information from this survey assisted in the smooth implementation of monetary policy as sweep accounts drove down the level of required operating balances.

A survey conducted in May 1998 was designed to gauge the effect on banks' reserve management of the imposition of a charge on banks that overdraw their accounts at the Federal Reserve during the course of the day (the so-called daylight overdraft fee) and the expansion of the operating hours of the Fedwire system. The survey documented the tendency of banks to concentrate delivery of federal funds later in the day, potentially in response to changes in the Federal Reserve's intraday credit policy. This survey also confirmed previous anecdotal evidence that banks used the extension of Fedwire operating hours to transfer funds linked not only to international transactions, which was expected, but also to domestic transactions.

As illustrated by these examples, the Senior Financial Officer Survey has assisted the Federal Reserve in its assessment of bank behavior and financial market conditions by improving knowledge of institutional arrangements and by permitting prompt inquiries in response to unusual circumstances. Information collected through the survey has also been used by the Federal Open Market Committee and has contributed to the formulation of monetary policy.

### **Description of Information Collection**

Both the frequency and the content of the Senior Financial Officer Survey have been, and will continue to be, determined by exigencies. Hence, it is difficult for the Federal Reserve to stipulate the exact nature, type, or timing of future surveys. In the past, surveys have been conducted at irregular intervals and have included both qualitative and quantitative questions. The Federal Reserve recommends no change in the frequency of this report.

The primary panel of respondents, identical to the U.S. commercial bank subset of respondents for the Senior Loan Officer Opinion Survey, currently comprises 56 large, domestically chartered commercial banks, distributed as evenly as possible across Federal Reserve districts.<sup>1</sup> As of September 30, 2008, the assets of these banks totaled \$6.9 trillion and accounted for about 67 percent of the \$10.4 trillion in total assets at domestically chartered institutions. The overlap between the reporting panels of these surveys aids the Federal Reserve in interpreting the data received.

Although the primary panel of respondents has been, and will likely continue to be, appropriate for most survey topics, panels based on alternative criteria may be more appropriate and efficient for some situations. Consequently, the option would continue to be available to

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<sup>1</sup> The Federal Reserve tries to maintain the authorized panel of 60 insured, domestically chartered commercial banks on the FR 2018; however, the continuing rapid pace of bank mergers has made it difficult to maintain a full sample. If necessary, other banks may be added to maintain a constant panel size. The panel is heavily weighted towards very large banks, but also includes a fair number of large and medium-sized regional banks, which allows for a greater diversity of responses and provides a broader view of the banking system. In addition, the FR 2018 reporting panel also has a subset composed of large U.S. branches and agencies of foreign banks. These institutions are not included in the primary FR 2023 panel because most of their funding operations are in the wholesale, not retail, market or in their home countries. However, should the need arise, U.S. branches and agencies could be surveyed as an optional panel.

survey other depository institutions or major participants in financial markets. This option greatly enhances the potential scope and utility of the survey.

### **Time Schedule for Information Collection and Publication**

The survey may be conducted up to four times per year. Recently, the survey has been conducted much less frequently: since 1995, only two surveys have been conducted (one in May 1996, the other in May 1998). There were no circumstances requiring additional surveys. Such circumstances could arise in the future, however, and in order to maintain the Federal Reserve's ability to keep abreast of important market developments, the authority to conduct up to four surveys a year is considered essential.

To the extent possible, the Federal Reserve notifies respondents in advance as to the topic(s) to be covered in an impending survey. In extraordinary circumstances, when such notice is not possible, the decision to waive this advance notice provision would be made only by Federal Reserve officials. Responses are collected through a telephone interview with a senior officer at each respondent either by a Reserve Bank officer or senior-level Federal Reserve staff member who has expertise in the area of bank liability management, or by a Federal Reserve staff member, as appropriate.

Survey responses are tabulated and summarized at the Federal Reserve Board. Summary data are forwarded to Reserve Banks for distribution to respondents and also are available to other members of the public.

### **Legal Status**

The Federal Reserve's Legal Division has determined that the survey is authorized by law [12 U.S.C. §§ 225a, 248(a), and 263] and is voluntary. Most of the information to be collected on the FR 2023 would be exempt from disclosure under subsection (b)(4) of the Freedom of Information Act [5 U.S.C. § 552 (b)(4)]. However, the confidentiality status of the survey would be determined on a case-by-case basis, when the specific questions to be asked on each particular survey are formulated but before respondents are contacted. Respondents will be informed of the confidentiality status of that particular survey, each time the survey would be conducted.

### **Consultation Outside the Agency**

On February 26, 2009, the Federal Reserve published a notice in the *Federal Register* (74 FR 8794) requesting public comment for 60 days on the extension, without revision, of the FR 2023. The comment period for this notice expires on April 27, 2009.

### **Estimate of Respondent Burden**

As shown below, total annual respondent burden for the FR 2023 survey is estimated to be 240 hours, based on four surveys per year and an average response time of one hour.<sup>2</sup> This represents less than 1 percent of total Federal Reserve System burden.

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	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2023	60	4	1.0	240

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The total cost to the public is estimated to be \$18,216.<sup>3</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The cost to the Federal Reserve System for processing this report is negligible.

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<sup>2</sup> Actual burden underlying the average one-hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

<sup>3</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 20% Clerical @ \$25, 30% Managerial or Technical @ \$55, 40% Senior Management @ \$100, and 10% Legal Counsel @ \$144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.