

**Supporting Statement for the
Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks
(FFIEC 002; OMB No. 7100-0032)
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; OMB No. 7100-0032)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032) and 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; OMB No. 7100-0032). The Board submits this request on behalf of the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC). No separate submission will be made by either of those agencies.

The FFIEC 002 is required and must be submitted quarterly by U.S. branches and agencies of foreign banks. All U.S. branches and agencies of foreign banks are required to file detailed schedules of assets and liabilities in the form of a condition report and a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the International Banking Act of 1978 (IBA). This report is mandated by the FFIEC for collection by the Board, the FDIC, and the OCC (collectively, the agencies) in accordance with procedures under Title 10 of the Financial Institutions Regulatory Act. The FFIEC 002S is a mandatory supplement to the FFIEC 002 and 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 a foreign bank.¹ A separate supplement is completed for each applicable foreign branch. The FFIEC 002S data improve U.S. deposit and credit data and data on international indebtedness, and are of assistance to U.S. bank supervisors in determining the extent of assets managed or controlled by the U.S. agency or branch of the foreign bank.

The agencies propose to collect additional detail on trading assets on Schedule RAL, Assets and Liabilities of the FFIEC 002 reporting form, effective with the June 30, 2012, reporting date.. This change is intended to provide data needed for reasons of safety and soundness and other public purposes. The annual burden for the FFIEC 002 is estimated to be 24,108 hours and is not estimated to change appreciably with the proposed revision. The current annual burden for the FFIEC 002S is estimated to be 1,416 hours and would remain unchanged.

¹ 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.

Background and Justification

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)

The agencies use the FFIEC 002 report for supervisory and regulatory purposes. The Board also uses the data for monetary policy purposes. The report is similar to the Call Report required of all U.S. commercial banks and savings associations, although the FFIEC 002 collects fewer data items.

The IBA expresses the intent of the Congress to equalize the supervisory and regulatory treatment between foreign and domestic-owned financial institutions operating in the United States, which specifies that foreign banks' branches and agencies in the United States are to be subject to the supervisory authority of the U.S. federal banking agencies and that responsibility for federal supervision is to be shared among the agencies.

As one step in carrying out the supervisory and regulatory responsibilities imposed by the IBA, the agencies instituted the FFIEC 002 in June 1980. The FFIEC 002 replaced a Federal Reserve report, FR 886a that had been collected from U.S. branches and agencies since 1972. The FFIEC 002 was revised extensively effective December 1985, when several schedules were deleted, data items were added to collect separate data on International Banking Facilities (IBFs), and schedules were added covering quarterly averages (Schedule K), commitments and contingencies (Schedule L), and past due loans (Schedule N). The report also was revised to conform as closely as possible to the quarterly Call Report for domestic banks.

Effective June 2001, the agencies expanded the information collected in the FFIEC 002 to facilitate more effective analysis of the impact of securitization and asset sale activities on credit exposures, introduced a separate new schedule (Schedule S) that comprehensively captures information related to securitization and asset sale activities, and eliminated the confidential treatment for the information on Schedule N. Effective December 2001, the agencies changed the manner in which branches and agencies report information on their trust activities. Branches and agencies that previously filed the Annual Report of Trust Assets (FFIEC 001) instead began to file a new Fiduciary and Related Services Schedule (Fiduciary Schedule) (Schedule T) as part of the FFIEC 002. Branches and agencies that have fiduciary or related activity are required to report certain trust information in Schedule T annually.

On February 7, 2011, the FDIC Board adopted a final rule amending the FDIC's regulations to redefine the assessment base used for calculating deposit insurance as prescribed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). In June 2011, the agencies implemented the following assessment-related reporting revisions to the FFIEC 002/002S through the emergency clearance process, effective with the June 30, 2011, report date: (1) the deletion of existing data items for the total daily averages of deposit liabilities before exclusions, allowable exclusions, and foreign deposits and (2) the addition of data items for reporting average consolidated total assets, average tangible equity, and the holdings of long-term unsecured debt issued by other FDIC-insured depository institutions.

In addition to its supervisory and regulatory uses, the FFIEC 002 provides information needed for monetary and financial analysis essential for the conduct of monetary policy. The branches and agencies of foreign banks are a large and growing part of the U.S. banking system, with assets exceeding \$1 trillion as of March 31, 2001. The FFIEC 002 provides the benchmark data needed to derive adequate weekly estimates from the sample report titled Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644; OMB No. 7100-0075). The weekly estimates are used to analyze credit developments and sources and uses of funds for the banking sector and to assess current financial developments within the entire U.S. banking system. They help to interpret the bank credit and deposit information needed for both monetary policy decisions and for gauging the response to those decisions.

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)

For a number of years foreign banks have conducted a large banking business at branches domiciled in offshore centers, primarily in the Cayman Islands and the Bahamas. For a fee, foreign banks are able to use these offshore branches to conduct a banking business free of any U.S. reserve requirements or FDIC premiums. While nominally domiciled in these offshore centers, these branches are often largely run out of the banks' U.S. agency or branch office, with a separate set of books but often with overlapping management responsibilities. The transactions of these offshore branches are often largely with U.S. residents.

The FFIEC 002S is collected for several reasons: (1) to monitor deposit and credit transactions of U.S. residents; (2) to monitor the impact of policy changes such as changes in reserve requirements; (3) to analyze structural issues concerning foreign bank activities in U.S. markets; (4) to understand flows of banking funds and indebtedness of developing countries in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis; and (5) to provide information to assist in the supervision of U.S. offices of foreign banks, which often are managed jointly with these branches.

The FFIEC 002S collects detail on transactions with U.S. residents and with residents of the banks' home country. In most cases these data cover a large proportion of their total activities since many of the non G-10² bank branches have heavy exposures to their home countries and G-10 banks are dealing largely with U.S. customers. The data improve U.S. deposit and credit data and data on international indebtedness, and are of assistance to U.S. bank supervisors in determining the extent of assets managed or controlled by the U.S. agency or branch of the foreign bank. In theory a foreign bank with an offshore branch and no U.S. presence would escape reporting. In practice this omission is likely to be relatively minor because each of the 50 largest non-U.S. banks in the world operates at least one agency or branch in the United States.

² The Group of Ten (G-10) is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States) which consult and cooperate on economic, monetary and financial matters.

Description of Information Collection

The reporting panel for the FFIEC 002 includes all U.S. branches and agencies (including their IBFs) of foreign banks, whether federally licensed or state chartered, insured or uninsured. The FFIEC 002 consists of a summary schedule of assets and liabilities (Schedule RAL) and several supporting schedules. Information is required in each schedule on balances of the entire reporting branch or agency. On the schedules for cash (Schedule A), loans (Schedule C), and deposits (Schedule E), separate detail is reported on balances of IBFs. Unlike the Call Report for domestic banks and thrifts, the FFIEC 002 collects no income data.

The FFIEC 002S covers all of the foreign branch's assets and liabilities, regardless of the currency in which they are payable. The supplement also covers transactions with all entities, both related and nonrelated, regardless of location. All due from/due to relationships with related institutions, both depository and nondepository, are reported on a gross basis, that is, without netting due from and due to data items against each other.

Proposed Revisions

Additional Detail on Trading Assets

U.S. branches and agencies of foreign banks (branches) currently report "other securities" held for investment (i.e., securities other than U.S. Government securities, mortgage-backed securities, and other asset-backed securities) in Schedule RAL data item 1.c.(1), Securities of foreign governments and official institutions, and Schedule RAL, data item 1.c.(4), All other (bonds, notes, debentures, and corporate stock). However, branches currently report these "other securities," when held for trading purposes, together with assets other than securities that are held for trading purposes, in Schedule RAL, data item 1.f.(4), Other trading assets. The agencies propose to collect a new data item on Schedule RAL, for "other securities" held for trading purposes (new Schedule RAL, data item 1.f.(4)). Current Schedule RAL, data item 1.f.(4), Other trading assets, would be renumbered as data item 1.f.(5) and would be defined to exclude all securities held for trading. The additional detail would allow the agencies to better monitor movements in other securities held for trading purposes over time, and provide for more meaningful analysis of the existing categories of trading assets.

Time Schedule for Information Collection and Publication

The FFIEC 002 and FFIEC 002S are collected as of the end of the last calendar day of March, June, September, and December. U.S. branches and agencies of foreign banks must submit the FFIEC 002 and FFIEC 002S to the appropriate Federal Reserve Bank within 30 calendar days following the report date. After the processing and editing functions have been completed, the Board sends the data to the FDIC and OCC for their use in monitoring the U.S. activities of foreign banks under their supervision. Aggregate data for all U.S. branches and agencies that file the FFIEC 002 are published in the *Federal Reserve Bulletin* and are also used in developing flow of funds estimates and the estimates published in the Federal Reserve weekly

H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*. Aggregate data for the FFIEC 002S are available to the public upon request.

Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request. The information on file is provided on compact discs. In addition, individual respondent data are also available on the FFIEC public website at www.ffiec.gov/nicpubweb/nicweb/nichome.aspx.

Legal Status

The Board's Legal Division has determined that section 7(c)(2) of the IBA (12 U.S.C. § 3105(c)(2)) authorizes the agencies to require the FFIEC 002 and FFIEC 002S. In addition, section 4(b) of the IBA (12 U.S.C. § 3102(b)) authorizes the OCC to collect the information from Federal branches and Federal agencies of foreign banks. Further, section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)) authorizes the agencies to collect the information from insured branches of foreign banks. The Board's Legal Division has also determined that the individual respondent information on the FFIEC 002 contained in Schedule M (Due from/Due to Related Institutions in the U.S. and in Foreign Countries) and the FFIEC 002S is exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. § 552(b)(4)). Information from all other schedules of the FFIEC 002 is available to the public on request. The proposed items would not be held confidential.

Consultation Outside the Agency and Discussion of Public Comments

On November 23, 2011, the agencies published a notice in the *Federal Register* (76 FR 72410) requesting public comment for 60 days on the extension, with revision of the FFIEC 002/002s. The comment period for this notice expired on January 23, 2012.

Although no comments were received on the November 2011 *Federal Register* notice for the FFIEC 002, the agencies did collectively receive comments on their November 2011 Call Report *Federal Register* notice³ from eight entities: four banking organizations, two bankers' associations, a commercial lending software company, and a news organization. All eight entities commented on the proposed new Call Report Schedule RC-U, Loan Origination Activity (in Domestic Offices), which is comparable to but more detailed than proposed FFIEC 002 Schedule U.

The FFIEC and the agencies are proceeding with the revision proposed to Schedule RAL for implementation as of the June 30, 2012, report date. As for the new schedule for selected loan origination data proposed for implementation as of June 30, 2012, the FFIEC and the agencies are continuing to evaluate this proposed schedule in light of the comments received. When the FFIEC and the agencies have decided whether and how to proceed with this proposed new schedule, a separate *Federal Register* notice will be published and, if applicable, a submission by the Board will be made to OMB. Because of the additional time necessary for the FFIEC and the agencies to determine the outcome of the proposed new FFIEC 002 Schedule U

³ See 76 FR 72035, November 21, 2011.

and to allow sufficient lead time for affected institutions to prepare for any resulting new reporting requirements, the collection of selected loan origination data would not take effect before the September 30, 2012, report date.

Estimate of Respondent Burden

The current estimated annual reporting burden for the FFIEC 002 is 24,108 hours and is not estimated to change appreciably with the proposed revision. The current estimated annual reporting burden for the FFIEC 002S is 1,416 hours and would remain unchanged. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FFIEC 002	237	4	25.43	24,108
FFIEC 002S	59	4	6	<u>1,416</u>
<i>Total</i>				<u>25,524</u>
<i>Proposed</i>				
FFIEC 002	237	4	25.43	24,108
FFIEC 002S	59	4	6	<u>1,416</u>
<i>Total</i>				<u>25,524</u>
<i>Difference</i>				+0

The total cost to the public for the FFIEC 002 and FFIEC 002S is estimated to be \$1,107,742 and would not change appreciably with the proposed revision.⁵

Sensitive Questions

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

⁴ Of these respondents, 59 are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets)

⁵ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$50, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$80). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Estimate of Cost to the Federal Reserve System

The current annual cost to the Federal Reserve System for collecting and processing the FFIEC 002 and the FFIEC 002S is estimated to be \$221,900. The Federal Reserve System collects and processes the data for all three of the agencies.