

**Supporting Statement for the
Foreign Branch Report of Condition
(FFIEC 030; OMB No. 7100-0071)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend, with revision, the Federal Financial Institutions Examination Council (FFIEC) Foreign Branch Report of Condition (FFIEC 030; OMB No. 7100-0071). Insured domestically chartered commercial banks (U.S. banks) are required to submit, to the appropriate Federal Reserve Bank, a limited balance sheet for all their foreign branches. This report is collected annually as of December 31 or quarterly for significant branches as of the last day of each calendar quarter. The Federal Reserve receives reports for all foreign branches of U.S. banks, regardless of charter type, on behalf of the U.S. banks' primary federal bank regulatory agency, which includes the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively the agencies). The agencies use this report to fulfill their statutory obligation to supervise foreign operations of domestic banks.

To reduce respondent burden, the agencies propose to (1) eliminate five data items for branches with total assets in excess of \$250 million, (2) create a short reporting form (FFIEC 030S) containing five data items to be filed annually by branches with total assets of between \$50 million and \$250 million (in lieu of filing the entire FFIEC 030 reporting form), and (3) eliminate the filing requirement for branches with less than \$50 million in total assets.

The agencies propose to implement changes to the FFIEC 030 effective with the December 2006 report date. The annual reporting burden for the proposed FFIEC 030 and FFIEC 030S is estimated to be 288 hours, a decrease of 138 hours. Attached are copies of the proposed reporting forms and instructions.

Background and Justification

The Federal Reserve and the OCC have collected some version of the Foreign Branch Report of Condition from member banks since 1965 and 1964, respectively. The FDIC began collecting this report in the early 1980s from a relatively small number of insured, state nonmember banks. In 1984, the FFIEC, of which the agencies are members, approved the proposal to give this report an FFIEC number under section 1006 of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). (Prior to 1984, the Federal Reserve collected these data on the FR 2105f reporting form.)

The FFIEC 030 collects information on the structure and geographic distribution of foreign branch assets and liabilities. The agencies use this information to plan examinations and to analyze the foreign operations of domestic banks. Growth trends can be measured by bank, by country, and by bank within country. Aggregate data are a useful source of information on bank activities for the general public. This series is the oldest statistical series that exists for foreign branches of member banks and is an important source for measuring the growth of these offices.

The FFIEC 030 is the only report through which the agencies collect balance sheet information on foreign branches from insured domestically chartered commercial banks. The Federal Reserve uses another report, the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079), to collect less detailed balance sheet information from parent institutions of foreign branches or subsidiaries (specifically, those with total assets of \$500 million or more). This report only collects gross assets and liabilities by the country of the principal address of the customer, rather than the type of assets and liabilities of the branch. Although the FR 2502q does not provide comparable information, the Federal Reserve may check the FFIEC 030 to determine whether individual branches that report total assets greater than or equal to \$500 million, also report on the FR 2502q.

Description of Information Collection

The FFIEC 030 is a two-page report that collects balance sheet information on all foreign branches from insured domestically chartered commercial banks, regardless of the size of the branch. Some reporters may choose to file one consolidated report for all their branches located in the same foreign country; however, reporters are not permitted to consolidate data for significant branches with data for any other branches.

Each data item of the FFIEC 030 relates directly to one or more data items on the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (Call Report; FFIEC 031; OMB No. 7100-0036); no additional information is requested. As of June 30, 1997, the reporting instructions were revised to conform to the Generally Accepted Accounting Principles (GAAP). Banks must file quarterly for foreign branches with total assets of at least \$2 billion or commitments to purchase foreign currencies and U.S. dollar exchange of at least \$5 billion (significant branches) and annually for all other foreign branches.

Proposed Revisions effective December 31, 2006

FFIEC 030 Reporting Form

The agencies propose to reduce reporting burden by eliminating five data items for branches with total assets in excess of \$250 million because the aggregate amounts reported in these data items have declined substantially to a nominal amount. The five data items to be eliminated are:

- Asset data item 6.d, Loans to foreign governments and official institutions (including foreign central banks). Amounts would be included in current data item 6.e, Loans and lease financing receivables: To all others.
- Asset data item 7, Customers' liability to this bank on acceptances outstanding. Amounts would be included in current data item 13, Other assets.
- Asset data item 9, Accrued interest receivable. Amounts would be included in current data item 13, Other assets.

- Liability data item 19, Bank’s liability on acceptances executed and outstanding. Amounts would be included in current data item 24, Other liabilities.
- Liability data item 20, Accrued taxes and other expenses. Amounts would be included in current data item 24, Other liabilities.

Implementation of the FFIEC 030S Reporting Form

The agencies propose to create an abbreviated or short reporting form (FFIEC 030S) containing five data items that branches with total assets between \$50 million and \$250 million would file on an annual basis in lieu of the FFIEC 030 reporting form. The scope of the FFIEC 030S would be comparable to a report filed with the Federal Reserve by U.S. banking organizations for their foreign subsidiaries.¹ The data items proposed for this report are considered the minimum information needed to serve as indicators of higher business volume, risk, and complexity in small-sized foreign branches. The reported information would also be used to monitor potential developments that may pose risks to the overall operations of the parent bank. The proposed data items for the FFIEC 030S are:

- Data item 1, Gross due from related institutions. A combination of current FFIEC 030 asset data item 11, Gross due from head office, U.S. branches, and other foreign branches of this bank and data item 12, Gross due from consolidated subsidiaries of this bank.
- Data item 2, Total assets. Current FFIEC 030 asset data item 14, Total assets.
- Data item 3, Gross due to related institutions. A combination of current FFIEC 030 liability data item 22, Gross due to head office, U.S. branches, and other foreign branches of this bank and data item 23, Gross due to consolidated subsidiaries of this bank.
- Data item 4, Total gross notional amount of derivative contracts. A combination of current FFIEC 030 derivative data item 26, Commitments to purchase foreign currencies and U.S. dollar exchange (spot, forward, and futures), data item 27, All other futures and forward contracts (excluding contracts involving foreign exchange), data item 28, Option contracts, and data item 31, Notional value of all outstanding interest rate swaps.
- Data item 5, Commercial and similar letters of credit, standby letters of credit, and foreign office guarantees. A combination of current FFIEC 030 off-balance sheet data item 29, Standby letters of credit and foreign office guarantees and data item 30, Commercial and similar letters of credit.

Exempt Entities

The agencies propose to exempt foreign branches with total assets below \$50 million from both the FFIEC 030 and FFIEC 030S annual filing requirements.

¹ Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S; OMB No. 7100-0073), filed for subsidiaries with assets between \$50 million and \$250 million.

Time Schedule for Information Collection

The FFIEC 030 is collected annually as of December 31 from insured commercial banks with one or more branch offices in a foreign country and quarterly from banks with significant branches as of the last calendar day of March, June, September, and December. The FFIEC 030 must be submitted by qualifying banks regardless of charter type to the local Federal Reserve Bank within forty-five days of the report date. The Board then compiles the reported information and makes it available to the FDIC and the OCC four months after the as-of date for both quarterly and annual reporters. Aggregate data are published in the Federal Reserve Annual Report and the Department of Commerce's Annual Statistical Digest. Microdata are confidential.

Legal Status

The Board's Legal Division has determined that section 25(7) of the Federal Reserve Act [12 U.S.C. § 602] authorizes the Board to require the report. Individual respondent data are regarded as confidential under the Freedom of Information Act [5 U.S.C. § 552(b)(4)].

Consultation Outside the Agency

On July 14, 2006, the agencies jointly published a notice in the *Federal Register* (71 FR 40119) requesting public comment for 60 days on the extension, with revision, of the FFIEC 030. The comment period for this notice expired on September 12, 2006. No comments were received. On October 6, 2006, the agencies jointly published a notice in the *Federal Register* (71 FR 59110) for OMB review and public comments for 30 days. The comment period for this notice expires on November 6, 2006.

Estimate of Respondent Burden

The current annual reporting burden associated with the Federal Reserve's share of the FFIEC 030 is estimated to be 426 hours. The estimated average hours per response for the FFIEC 030 would decrease from 3.7 hours to 3.4 hours for the proposed elimination of five data items, resulting in a decrease of 24 hours. The creation of the FFEIC 030S would decrease burden by 77 hours. The change in reporting thresholds for the FFIEC 030 and FFIEC 030S would decrease burden by 37 hours. Therefore, the proposed annual reporting burden would be 288 hours, a net decrease of 138 hours. The proposed total burden represents less than 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 030				
Annual (branches)	51	1	3.7	189
Quarterly (branches)	16	4	3.7	<u>237</u>
<i>Total</i>				426
Proposed				
FFIEC 030				
Annual (branches)	17	1	3.4	58
Quarterly (branches)	16	4	3.4	218
FFIEC 030S				
Annual (branches)	24	1	0.5	<u>12</u>
<i>Total</i>				288
<i>Change</i>				(138)

The total cost to the public is estimated to be \$19,483,² a decrease of \$9,336 annually.

Sensitive Questions

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

Estimated Cost to the Federal Reserve System

The proposed annual cost to the Federal Reserve System for collecting and processing the FFIEC 030 and FFIEC 030S is estimated to be \$69,700, a decrease of 2.2 percent from the current cost of \$71,300. The one-time cost to implement the revised reports is estimated to be \$16,700. The Federal Reserve System collects and processes the data for all three of the agencies.

² Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 25% - Clerical @ \$25, 40% - Managerial or Technical @ \$55, 25% - 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.