

**Supporting Statement for
the Weekly Report of Assets and Liabilities for Large Banks
(FR 2416; OMB No. 7100-0075),
the Weekly Report of Selected Assets (FR 2644; OMB No. 7100-0075),
and the Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies
of Foreign Banks (FR 2069; OMB No. 7100-0030)**

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, with revision, the following three reports:

- The *Weekly Report of Assets and Liabilities for Large Banks* (FR 2416; OMB No. 7100-0075), a detailed balance sheet report that is collected as of each Wednesday from an authorized sample of fifty large U.S.-chartered commercial banks.
- The *Weekly Report of Selected Assets* (FR 2644; OMB No. 7100-0075), a considerably less detailed report that is collected as of each Wednesday from an authorized stratified sample of 1,100 smaller U.S.-chartered commercial banks.
- The *Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks* (FR 2069; OMB No. 7100-0030), a balance sheet report that is collected as of each Wednesday from an authorized sample of seventy U.S. branches and agencies of foreign banks.

These three voluntary reports, which are commonly referred to as the bank credit reports, are mainstays of the reporting system from which data for analysis of current banking developments are derived. The FR 2416 data are used on a stand-alone basis as the large domestic bank series. The other two reports collect sample data, which are used to estimate universe levels using data from the quarterly commercial bank *Consolidated Reports of Condition and Income* (FFIEC 031 and 041; OMB No. 7100-0036) and the *Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks* (FFIEC 002; OMB No. 7100-0032) (Call Reports). Data from all three bank credit reports, together with data from other sources, are used for constructing weekly estimates of bank credit, of sources and uses of bank funds, and of a balance sheet for the entire banking system.

The Federal Reserve publishes the data in aggregate form in the weekly H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*, which is followed closely by other government agencies, the banking industry, the financial press, and other users. The H.8 release provides a balance sheet for the banking industry as a whole and data disaggregated by its large domestic, small domestic, and foreign-related bank components.

In this proposal, the Federal Reserve proposes to reduce reporting burden by eliminating data items that are no longer useful beyond data already available from Call Reports, to collect information on real estate loan securitization activity, and to improve the detailed information associated with data on security loans. The Federal Reserve proposes to make the following five

modifications to the FR 2416 reporting form: (1) delete data item 5.d, Loans to finance agricultural production and other loans to farmers; (2) delete data item 5.h, Loans to states and political subdivisions in the U.S.; (3) delete memorandum item M.8, Commercial and industrial loans: Outstanding principal balance of assets sold and securitized; (4) add a memorandum item, Real estate loans: Outstanding principal balance of assets sold and securitized; and (5) rename memoranda items M.1 and M.5 on revaluation gains and losses, respectively. The Federal Reserve proposes to make the following two modifications to the FR 2644 reporting form: (1) add a memorandum item, Real estate loans: Outstanding principal balance of assets sold and securitized, (the same data item proposed for the FR 2416 reporting form) and (2) renumber memoranda items M.4 and M.5 on net due from and net due to, respectively, to allow for the addition of the new data item on securitized real estate loans. The Federal Reserve proposes to make the following three modifications to the FR 2069 reporting form: (1) split data item 4.b, Federal funds sold and securities purchased under agreements to resell: With others, into two data items; (2) delete memorandum item M.3, Commercial and industrial loans: Outstanding principal balance of assets sold and securitized; and (3) rename memoranda items M.1 and M.2 on revaluation gains and losses, respectively.

The Federal Reserve also would like to reevaluate the bank credit data in coming quarters to determine whether changes consistent with the proposed March 2007 Call Report revisions would be necessary for the bank credit series. Therefore, another proposal to revise the reporting forms may be presented for review before the three-year extension expires.

The annual reporting burden for the proposed bank credit reports is estimated to be 117,598 hours, a decrease of 442 hours from the current burden of 118,040 hours. Copies of the current reporting forms and instructions, marked to show the proposed revisions, are attached. The revised bank credit reporting forms would be implemented as of June 2007.

Background and Justification

Weekly Report of Assets and Liabilities for Large Banks (FR 2416)

The FR 2416 has one of the longest histories among banking time series, beginning in 1917 when about 600 U.S.-chartered commercial banks began reporting weekly to inform those in charge of the war effort about changing monetary and credit conditions. Over the subsequent decades, the report has evolved to reflect changing needs for data to analyze loan and security portfolios, bank liquidity, deposit flows, liability management, and regional developments. Some data items on the current weekly report reflect specialized data needs associated with the estimation of bank credit and analysis of bank's sources and uses of funds. Because commercial banks play a pivotal role in the transmission of monetary policy, the Federal Reserve System makes use of high frequency data from which a balance sheet for the whole banking system can be constructed. The FR 2416 provides these data for large domestically chartered commercial banks. Sufficient detail must be available to track the major components of bank credit and the broad outlines of bank funding.

Over time, the number of respondents has been reduced substantially as the concentration of banking assets has increased. Since the late 1970s, reporting panels have been selected during each

triennial review to include a little more than 50 percent of total assets in U.S. offices of U.S.-chartered commercial banks.

The renewal of the FR 2416 in 1996 resulted in a net reduction of thirteen data items. Other trading account securities and other trading account assets were combined into one data item, and the existing maturity breakdown of U.S. government securities was moved to the memoranda section and applied only to non mortgage-backed securities. Three small components of loans were rolled into an expanded all other loans, and two memoranda items on loans sold were dropped. Thirteen data items on deposits were replaced by two data items: total transaction deposits and total nontransaction deposits. Three data items were added to the FR 2416 as a result of changes to the Call Report to comply with two new accounting standards. The first new standard caused a substantial part of banks' securities holdings outside trading accounts to be marked to market, and the second resulted in banks reporting separate values for revaluation gains and losses on off-balance-sheet contracts, rather than a single net figure. In addition, trading liabilities was added to maintain consistency with the Call Report. Data items also were added to monitor banks' activities in the mortgage-backed securities and commercial real estate markets and to measure more accurately their nondeposit funding activities.

The renewal of the FR 2416 in 1999 resulted in a net addition of four data items. To replace data items that were previously reported on the discontinued monthly *Commercial Bank Survey of Consumer Credit* (FR 2571; OMB No. 7100-0080), the data item for loans to individuals was split into credit cards and other, consistent with the Call Report. Corresponding data items for securitized loans to individual were added to the memoranda section, as well as a similar memorandum item for securitized commercial and industrial loans.

At the last renewal of the FR 2416 in 2003, the data item for other assets was split into net due from own foreign offices and all other assets and the data item for other liabilities was split into net due to own foreign offices and all other liabilities in anticipation of the elimination of the *Report of Certain Eurocurrency Transactions* (FR 2950 and FR 2951; OMB No. 7100-0087). Three memoranda items breaking out U.S. Treasury securities were combined.

Weekly Report of Selected Assets (FR 2644)

The FR 2644 is designed to obtain data representative of lending and investing activities of smaller domestic banks, as well as information on their total assets and total borrowings. The Federal Reserve has collected data of this nature from smaller domestic banks (with "smaller" defined as those domestic banks that did not file the FR 2416) since January 1946. Until 1984, the panel comprised all smaller member banks, which reported at first on a monthly (last Wednesday) basis, then semi-monthly (mid and last Wednesdays of the month) beginning in 1959, and then weekly (as of Wednesday) beginning in 1969.

In 1979, a two-tier system of reporting was adopted for the smaller member bank universe: a stratified sample of 400 member banks reported nine data items covering loans, securities, total assets, and large time deposits on the FR 2644s, and all other smaller member banks filed a condensed report, the FR 2644, containing only total security holdings, total loans, and total assets. Until 1984, each Reserve Bank compiled an aggregate balance sheet for banks in its own District,

drawing data from the smaller member bank reports and from other surveys (including the weekly condition report collected from large banks, the FR 2416, and the quarterly Call Reports filed by all insured commercial banks), and transmitted these District aggregates to the Board of Governors for use in compiling nationwide aggregates for all insured U.S. commercial banks.

The general framework for the current FR 2644 was established during the 1983 review of the series when it was determined that a sample approach would be used for national estimates of bank credit at small banks. A stratified sample of 1,100 banks, including nonmember banks for the first time, was chosen to submit data on a single, revised report.

In 1985 it became apparent that the sample was underestimating growth in bank credit owing to new developments that were not captured in reports from the various weekly reporting panels. Several bank holding companies, usually affiliated with FR 2416 reporters, were establishing limited service institutions and transferring credit card, mortgage financing, or business loan operations from their FR 2416 banks to the new institutions. Such transfers had the effect of restraining growth reported by FR 2416 banks and, since most of the new institutions were not included in any weekly reporting panel, growth in the aggregate estimates was understated as well. At the same time, a number of thrifts were converted to commercial bank charters and were not represented in any reporting panel. To remedy these reporting biases, the Federal Reserve undertook an analysis of nonbank banks, thrift conversions, and rapidly growing banks and in 1985 asked twenty-seven non-randomly selected institutions to submit FR 2644 data.

The renewal of the FR 2644 in 1999, in parallel fashion to the FR 2416, resulted in the addition of four data items. The data item for loans to individuals was split into credit cards and other. Corresponding data items for securitized loans to individuals were added to the memoranda section.

At the last renewal of the FR 2644 in 2003, the data item for all other loans secured by real estate was split into commercial and all other residential loans. Two new data items for net due from own foreign offices and net due to own foreign offices were added in anticipation of the elimination of the FR 2950 and FR 2951 reporting forms.

Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks (FR 2069)

The Federal Reserve began collecting monthly balance sheet data from U.S. branches and agencies of foreign banks in November 1972, enabling the Federal Reserve to monitor the impact of these foreign-related institutions in the U.S. banking system. In 1978, the Congress passed the International Banking Act, which led to increased regulation of U.S. branches and agencies. Recognizing the growing importance of these entities in the U.S. banking system, in 1979 the Federal Reserve broadened several statistical measures of banking activity to include these foreign-related institutions.

Weekly data on a few major asset and liability items were obtained from a sample of branches and agencies in 1979 to provide estimates of bank credit and nondeposit funds in advance of the monthly universe balance sheet. With sample coverage varying from 30 to 50 percent of

totals for these data items, estimation errors were relatively large, but revisions could be made promptly as the monthly universe data became available.

When the quarterly report of condition (FFIEC 002) was substituted for the monthly reporting form in June 1980, the reporting panel for the weekly reporting form (at that time, the FR 2049) was expanded to achieve greater reliability of current estimates between benchmarks that were no longer monthly but quarterly. In July 1981, the current FR 2069 reporting form replaced the FR 2049, providing a weekly summary balance sheet for the fifty largest branches and agencies. The FR 2069 was revised further in January 1986 to take account of revisions in the FFIEC 002, and about fifteen large branches and agencies were added to the reporting panel.

The FR 2069 data are used to estimate the universe of branches and agencies. There is no stratification by size or by parent country. However, in the years preceding the 1995 renewal, the panel was over weighted towards Japanese branches and agencies. As a result, when growth at these institutions differed noticeably from that of non-Japanese branches and agencies, the resulting universe estimates were distorted. In October 1996, this problem was addressed with the addition of twenty large, non-Japanese institutions. As a result, the coverage of total assets at all U.S. branches and agencies rose from about two-thirds to about three-fourths.

In October 1996 and consistent with the approach taken for the FR 2416 reporting form, three loan data items were combined into one data item, all other loans, and ownership detail for deposits was dropped. Two new data items were necessitated by the addition to the Call Report of a separate data item for trading account securities and the need to continue classifying banks' securities holdings between U.S. Government and other. As with the FR 2416, a data item for trading liabilities was added in order to be consistent with the branch and agency Call Report. Again consistent with the FR 2416 reporting form, data items were added to measure gross revaluation gains and gross revaluation losses on off-balance-sheet contracts.

Effective June 2000, a new memorandum item was added for securitized commercial and industrial loans. During the 2001 renewal, the FR 2069 reporting form was revised to be consistent with changes, eliminations, and reductions in detail to the FFIEC 002 effective as of June 30, 2001.

At the last renewal of the FR 2069 in 2003, federal funds purchased with banks and other borrowed money owed to banks were combined, and federal funds purchased with others and other borrowed money owed to others were combined as well.

Description of Information Collection

The FR 2416 collects thirty-six balance sheet items and ten memoranda items from domestic offices of large U.S.-chartered commercial banks. The FR 2644 collects thirteen data items on investments and loans plus total assets and seven memoranda items from domestic offices of small U.S.-chartered commercial banks. The FR 2069 collects twenty-three balance sheet items and three memoranda items from large U.S. branches and agencies of foreign banks.

Proposed Revisions to the FR 2416

Delete data items 5.d and 5.h. The Federal Reserve proposes to delete current data items 5.d, Loans to finance agricultural production and other loans to farmers, and 5.h, Loans to states and political subdivisions in the U.S. Both data items have had small week-to-week fluctuations and have remained at a relatively low level in recent years, approximately \$20 billion and \$10 billion, respectively. Therefore, collecting these data items separately does not provide useful information beyond what is reported on the Call Report. Under the proposed changes, amounts formerly reported in data items 5.d and 5.h would be included in data item 5.i, All other loans.

Delete data item M.8. The Federal Reserve proposes to delete the current memorandum item M.8, Commercial and industrial loans: Outstanding principal balance of assets sold and securitized. This data item has had small week-to-week fluctuations, has remained at a relatively low level in recent years, approximately \$2 billion, and is currently reported by only four banks. Therefore, this data item does not provide useful information beyond what is reported on the Call Report.

Add new data item M.8. The Federal Reserve proposes to add a new memorandum item M.8, Real estate loans: Outstanding principal balance of assets sold and securitized. Real estate loan data are often driven by large securitizations, as documented in the weekly edit remarks provided by reporting institutions. Given the increasing importance of identifying underlying movements in real estate loans, the addition of this memorandum item would enable the Federal Reserve to report more reliable data for securitizations.

Rename data items M.1 and M.5. The Federal Reserve proposes to rename two memoranda items to be consistent with March 2005 Call Report changes: (1) rename memorandum item M.1 from Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts to Derivatives with a positive fair value held for trading purposes and (2) rename memorandum item M.5 from Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts to Derivatives with a negative fair value held for trading purposes. No changes are proposed to the data that are collected.

Proposed Revisions to the FR 2644

Add new data item M.4. The Federal Reserve proposes to add a new memorandum item M.4, Real estate loans: Outstanding principal balance of assets sold and securitized. Real estate loan data are often driven by large securitizations, as documented in the weekly edit remarks provided by reporting institutions. Given the increasing importance of identifying underlying movements in real estate loans, the addition of this memorandum item would enable the Federal Reserve to report more reliable data for securitizations. Based on the recent Call Report data, less than sixty small banks report a non-zero value for this data item and thirty of the sixty small banks currently report the FR 2644. Since the number of banks that would report this data item is small, the aggregate reporting burden would be nominal. Despite the small number of prospective reporters of this data item, they would account for about 10 percent of banks' total real estate securitization activity. The Federal Reserve also anticipates that this activity will increase in volume over time.

Renumber data items M.4 and M.5. The Federal Reserve proposes to renumber memoranda items M.4, Net due from own foreign offices, to M.5 and M.5, Net due to own foreign offices, to M.6. The renumbering is proposed in order to keep these two memoranda items grouped together at the bottom of the FR 2644 reporting form since they are completed only by banks that file the FFIEC 031. Inserting the new memorandum item as M.4 and renumbering the remaining items will preserve the current organization of the reporting form and thereby avoid any misreporting.

Proposed Revisions to the FR 2069

Split data item 4.b into two data items. The Federal Reserve proposes to split current data item 4.b, Federal funds sold and securities purchased under agreements to resell: With others, into proposed data item 4.b, Federal funds sold and securities purchased under agreements to resell: With nonbank brokers and dealers in securities, and proposed data item 4.c, Federal funds sold and securities purchased under agreements to resell: With others. Federal funds sold and securities purchased with nonbank brokers and dealers is included in security loans on the H.8 statistical release. Currently, however, the FFIEC 002 does not provide detailed information on federal funds sold and securities purchased under agreements to resell with nonbank brokers and dealers in securities. Therefore, an assumption has been used to derive the amount associated with nonbank brokers and dealers from the current data item 4.b. Since there is no basis to update the assumption, the proposed split, which would be identical to that on FR 2416, would enable the Federal Reserve to derive data for security loans more accurately.

Delete data item M.3. The Federal Reserve proposes to delete the current memorandum item M.3, Commercial and industrial loans: Outstanding principal balance of assets sold and securitized. This data item is reported by only one bank and does not provide useful information beyond what is reported on the Call Report.

Rename data items M.1 and M.2. The Federal Reserve proposes to rename two memoranda items to be consistent with March 2005 Call Report changes: (1) rename memoranda item M.1 from Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts to Derivatives with a positive fair value held for trading purposes and (2) rename memoranda item M.2 from Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts to Derivatives with a negative fair value held for trading purposes. No changes are proposed to the data that are collected.

Instructions

The instructions would be revised and clarified in accordance with changes made to the reporting forms.

Reporting panel

The Federal Reserve proposes to keep the authorized size of the FR 2416, FR 2644, and FR 2069 panels at their current levels, but recommends a realignment of reporters between the FR 2416 and FR 2644 to address the current imbalance in the size of total assets.

Frequency

The Federal Reserve recommends that the FR 2416, FR 2644, and FR 2069 continue to be collected weekly, as of the close of business each Wednesday. Weekly data are needed for accurate and timely construction of the key series used to analyze current banking developments. The balance sheet series, both for large institutions and for the banking system as a whole, are constructed and published weekly. The various series constructed from the FR 2416, FR 2644, and FR 2069 also are included in the weekly briefing materials on financial market developments and periodic analyses provided to the Board and the Federal Open Market Committee. None of these series could be constructed on a sufficiently accurate or timely basis if the frequency of reporting was reduced, particularly in periods of volatility in banking and credit markets.

Time Schedule for Information Collection

Reserve Banks currently establish for their respondents schedules that enable the Reserve Banks to meet the Board's processing schedule. Reserve Banks edit and transmit micro data from the FR 2416 and FR 2069 to the Board by 12:00 noon Eastern Time on the first Wednesday after the as-of date of the report. Data from the FR 2644 are currently transmitted by 11:00 p.m. Eastern time on the first Wednesday after the as-of date. Reporting is voluntary for all three reports.

Aggregate data from all three reporting forms are compiled at the Board early Thursday and Friday mornings for use in bank credit applications. On Friday afternoon, the H.8 release for the current as-of date (two Wednesdays prior) is published and materials are prepared for the Monday Board briefing.

Legal Status

The Board's Legal Division has determined that the FR 2416 and the FR 2644 are authorized by section 2A of the Federal Reserve Act [12 U.S.C. §§ 225(a) and 248(a)(2)] and that the FR 2069 is authorized by section 7 of the International Banking Act [12 U.S.C. §§ 248(a)(2) and 3105(a)(2)] and all three reports are voluntary. Individual respondent data from all three reports are regarded as confidential under the Freedom of Information Act [5 U.S.C. § 552(b)(4)].

Consultation Outside the Agency

On January 11, 2007, the Federal Reserve published a notice in the *Federal Register* (72 FR 1325) requesting public comment for 60 days on the extension, with revision, on the bank credit reports. The comment period for this notice expired on March 12, 2007. The Federal Reserve received one supportive comment letter from a federal agency describing its use of the data to prepare monthly, quarterly, and annual estimates of personal interest payments, a component of

personal outlays in the national income and product accounts. On March 22, 2007, the Federal Reserve published a final notice in the *Federal Register* (72 FR 13492) on the bank credit reports.

Estimate of Respondent Burden

As presented in the table below, the current annual reporting burden for the three bank credit reports is estimated to be 118,040 hours. The proposed annual burden would be 117,598, a net decrease of 442 hours. For the FR 2416, the proposed deletion of current data item M.8, Securitized commercial industrial loans, and the addition of the proposed data item M.8, Securitized real estate loans, would not affect reporting burden on net. But the proposed elimination of the two loan items on the FR 2416 would reduce the estimated average hours per response from 9.00 hours to 8.61 hours, resulting in a net annual decrease of 1,014 hours. The FR 2644 estimated average hours per response would increase marginally from 1.40 hours to 1.41 hours due to the proposed addition of one data item that would be reported by only a small fraction of the panel. This would increase the FR 2644 reporting burden by 572 hours. The burden associated with the FR 2069 would not change materially since the burden reduction associated with the proposed deletion of data item M.3 nearly equals the increase in burden from the proposed split of data item 4.b. The proposed total annual burden for the three bank credit reports represents 2.5 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 | | | | |
| FR 2416 | 50 | 52 | 9.00 | 23,400 |
| FR 2644 | 1,100 | 52 | 1.40 | 80,080 |
| FR 2069 | 70 | 52 | 4.00 | <u>14,560</u> |
| <i>Total</i> | | | | 118,040 |
| Proposed | | | | |
| FR 2416 | 50 | 52 | 8.61 | 22,386 |
| FR 2644 | 1,100 | 52 | 1.41 | 80,652 |
| FR 2069 | 70 | 52 | 4.00 | <u>14,560</u> |
| <i>Total</i> | | | | 117,598 |
| <i>Change</i> | | | | (442) |

The total cost to the public is estimated to decrease from the current level of \$7,277,166 to \$7,249,917 for the revised bank credit reports.¹

¹ 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% - Clerical @ \$25, 45% - Managerial or Technical @ \$55, 15% - 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.

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The proposed cost to the Federal Reserve System for collecting and processing the three bank credit reports is estimated to be \$1,324,740 per year, an increase of 0.7 percent from the current cost of \$1,315,140. The one-time cost to implement the revised reports is estimated to be \$27,660.