

**Supporting Statement for the
Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and
Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend, without revision, the Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and the Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035).

The reporting and disclosure provisions of the International Lending Supervision Act of 1983 (the Act) authorize the Federal Reserve to require these reports. The FFIEC mandates both reports and the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) collect identical reports from institutions under their supervision. The FDIC and the OCC also are submitting a similar request for OMB review for banks under their supervision.

U.S. commercial banks and bank holding companies that meet certain criteria file quarterly the Country Exposure Report (FFIEC 009) with the Board, the FDIC, and the OCC (collectively the agencies) and provide information on international claims of U.S. banks and bank holding companies that is used for supervisory and analytical purposes. The information is used to monitor country exposure of banks to determine the degree of country risk and transfer risk in their portfolios and the possible impact on U.S. banks of adverse developments in particular countries. The Country Exposure Information Report (FFIEC 009a) is a supplement to the FFIEC 009 and provides publicly available information on material foreign country exposures (all exposures to a country in excess of 1 percent of total assets or 20 percent of capital, whichever is less) of U.S. banks and bank holding companies that file the FFIEC 009 report. As part of the Country Exposure Information Report, reporting institutions must also furnish a list of countries in which they have lending exposures above 0.75 percent of total assets or 15 percent of total capital, whichever is less.

The annual reporting burden for the FFIEC 009 and the FFIEC 009a reports is estimated to be 8,155 hours. Attached are copies of the current reporting forms and instructions.

Background and Justification

The banking agencies use the FFIEC 009 report in carrying out their supervisory and regulatory responsibilities to collect information on overseas lending activities of U.S. banks to customers in individual countries. The information is used to monitor and analyze banks' country exposure in order to determine the possible impact on individual banks and on the entire U.S. banking system of adverse developments in particular countries. It is a basic source of information on the geographic distribution of bank claims that is provided to other U.S. government agencies and to the Bank for International Settlements (BIS). The information collected in the report is not available from any other source.

The FFIEC 009 report originated in 1977 in response to concerns about the lack of information on banks' country risk exposures, in view of the substantial growth in international lending by U.S. banks in the mid-1970s. In 1984 the FFIEC increased the frequency from

semiannual to quarterly, implementing reporting requirements of the International Lending Supervision Act, to obtain more frequent and timely data on changes in the composition and maturity of banks' loan portfolios subject to transfer risk. The FFIEC revised the report in 1985 to provide greater sector detail on third-country guarantors for country redistribution of guaranteed claims and to obtain information on trade finance.

The FFIEC 009a report was implemented in 1984 as a supplement to the FFIEC 009 report to provide public disclosure of information regarding material country risk exposure in accordance with the Act. Section 907 of the Act provides that the federal banking agencies shall require and publicly disclose certain reports from banking institutions with foreign country exposure. The FFIEC 009a is available to the public and requires respondents to report all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. In addition, each institution furnishes a list of the countries in which exposures are between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of capital, whichever is less. Data are reported net of adjustments for transfers of exposure, for example through guarantees. The FFIEC initially established this reporting basis, which is consistent with the approach taken by the Securities and Exchange Commission, following consultation with bankers.

Effective with the March 31, 1997, report date, the FFIEC incorporated the following revisions to the FFIEC 009: added a new schedule to collect information on the respondent's country exposure resulting from revaluation gains on foreign exchange and derivative contracts held in the trading account; added a new item, Assets Held for Trading (new column 20); deleted an item, Amount of Claims that Represent Guarantees Issued by the U.S. Government and its Agencies (old column 13); combined three columns, Commercial Letters of Credit (old column 20), Standby Letters of Credit and Risk Participations Purchased (old column 21), and All Other Commitments (old column 22), into one column Commitments (new column 15); redefined the column Trade Financing to contain all items reported in column 9, Trade Financing and column 20, Commercial Letters of Credit and renumbered as column 21; combined columns for the breakdown of time remaining to maturity for total claims on foreign residents for Over One Year to Two Years and Over Two Years to Five Years into a single column for Over One Year to Five Years; and revised the instructions to require all claims consisting of available-for-sale securities to be reported at amortized cost rather than at fair value. In addition, minor instructional clarifications and a revision of the reporting form to reflect country code changes were changed. The revisions to the FFIEC 009a report included the addition of a new column to collect the Amount of Cross-border Claims Outstanding from Derivative Products after Mandated Adjustments for Transfer of Exposure and Amount of Net Local Country claims from Derivative Products (new column 3).

Effective with the March 31, 2003, report date, the FFIEC required electronic submission of all FFIEC 009 and FFIEC 009a reports.

Effective with the March 31, 2006, report date, the FFIEC revised the FFIEC 009 in order to harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the BIS as their "consolidated banking statistics." The revisions provided additional information about U.S. banks' exposure to country risk, transfer risk, and foreign-exchange risk. The revisions collected additional detail on foreign-office claims of U.S. banks on local residents, including sector breakdowns and a currency split; a split between commitments and guarantees plus credit derivatives; additional detail on foreign-office liabilities; and trade finance

after adjustments for collateral and guarantees. The definition of the public (i.e., government) sector was brought into agreement with the definition used in the Consolidated Reports of Condition and Income (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) (Call Report) that banks file quarterly. The instructions were changed to collect data on exposures arising from all derivatives contracts, not just those held in the trading account. There were no changes to the FFIEC 009a, although the change in the definition of the public sector on the FFIEC 009 changed the amounts reported in columns 6 and 7 on the FFIEC 009a by corresponding amounts. The instructions to the FFIEC 009a reporting form were changed to reflect column changes on the FFIEC 009.

Description of Information Collection

The FFIEC 009 report is filed as of the last business day of each quarter by any state member bank and bank holding company that (a) has at least one of the following: (1) a branch in a foreign country; (2) a subsidiary in a foreign country; (3) an Edge or Agreement subsidiary; (4) an International Banking Facility (IBF) subsidiary; or (5) a branch in Puerto Rico or any U.S. territory or possession; and (b) has, on a fully consolidated basis, total outstanding claims of at least \$30 million on residents of foreign countries.

The FFIEC 009 report collects information, by country¹, on three schedules. Schedule 1 collects information on the respondent's country exposure excluding claims resulting from the positive fair value of derivatives contracts, which are reported in Schedule 2. Specifically, Schedule 1 collects information on the respondent's cross-border claims on residents of foreign countries and their foreign-office claims on local residents. These claims are reported on an immediate-counterparty basis and on an ultimate-risk basis (i.e., after adjustments for guarantees and collateral), and inward and outward risk transfers are also reported. The sector (bank, public, or other) of the borrower is broken out, as are claims with a remaining maturity up to and including one year. Cross-border and foreign-office commitments to and guarantees (including credit derivatives) on foreigners are reported on an ultimate-risk basis. Schedule 1.a collects information on the respondent's foreign-office liabilities in non-local currency and in local currency by country of the foreign office and total liabilities booked at the respondent's foreign offices by country of the liability-holder. As memorandum items, it collects the net liabilities due from own related offices in other countries, assets held for trading, and trade finance. Schedule 2 collects information on the respondent's cross-border claims on foreigners that result from the positive fair value of all the respondent's derivative contracts. This information includes the sector (bank, public, and other) of the obligor and optional information on the positive and negative fair value of derivatives contracts of foreign offices vis-à-vis local residents. In addition, claims on bank branches that are not formally guaranteed by the head offices of the branches are identified by country of the location of the branch.

The FFIEC 009a is a quarterly supplement to the FFIEC 009 report and implements public disclosure provisions of the Act. Respondents provide detail on all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. Each FFIEC 009a respondent also furnishes a list of the countries in which exposures are between

¹ Country names and country codes used for reporting FFIEC 009 data are based on the geographical classification published by the Department of the Treasury. The reporting form may be modified, from time to time, to reflect country consolidations or countries that have recently gained independence.

0.75 percent and 1 percent of total assets or between 15 and 20 percent of capital, whichever is less. In addition, Section 910(a)(1) of the Act authorizes the federal banking agencies to interpret and define the terms used in the Act. Thus, the agencies have the right to order a banking institution to file the FFIEC 009 and FFIEC 009a quarterly, even if the specified reporting criteria are not met, if the agencies deem the institution's country exposure to be material in relation to its capital and assets.

Time Schedule for Information Collection

The time schedule for filing both reports is quarterly as of the end of March, June, September, and December, and each report should be submitted within 45 days of the reporting date. The Federal Reserve is responsible for collecting, editing, and compiling the data on behalf of all three banking agencies.

The FFIEC publishes aggregate data from the FFIEC 009 in the quarterly E.16 statistical release, *Country Exposure Lending Survey*. In addition, the Federal Reserve makes aggregate data available to the BIS. The BIS then publishes statistical data on consolidated bank claims on foreign borrowers as its "consolidated international banking statistics" on its website and in its *Quarterly Review*. Data from the FFIEC 009a are published on the FFIEC website.

Legal Status

The Board's Legal Division has determined that Section 11(a) of the Federal Reserve Act [12 U.S.C. 248(a)], Section 5(c) of the Bank Holding Company Act of 1956 [12 U.S. 1844(c)], and Section 907 of the International Lending Supervision Act of 1983 [12 U.S.C. 3906] authorize the Federal Reserve to require both reports. Individual respondent data reported on the FFIEC 009 are exempt from disclosure under the Freedom of Information Act [5 U.S.C. 552(b)(4) and (b)(8)].

Consultation Outside the Agency

On September 2, 2008, the agencies jointly published a 60-day notice in the *Federal Register* (73 FR 51300) soliciting comments on the extension of the FFIEC 009 and the FFIEC 009a. The comment period for this notice expired on November 3, 2008. The agencies did not receive any public comments. On January 16, 2009, the agencies jointly published a final 30-day notice in the *Federal Register* (74 FR 3041) for the FFIEC 009 and the FFIEC 009a. The comment period for this notice expires on February 17, 2009.

Estimate of Respondent Burden

The reporting burden associated with the current FFIEC 009 is estimated to require an average of 70 hours per response, for a total burden of 7,840 hours annually. The reporting burden associated with the current FFIEC 009a is estimated to require an average 5.25 hours per response, for a total of 315 hours annually. The 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>
FFIEC 009	28	4	70	7,840
FFIEC 009a	15	4	5.25	315
<i>Total</i>				8,155

The total cost to the public is estimated to be \$502,755 for the FFIEC 009 and the FFIEC 009a.²

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The current cost to the Federal Reserve System for collecting and processing the FFIEC 009 and FFIEC 009a is estimated to be \$84,000 per year.

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: 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.