

**Supporting Statement for  
Bank Holding Company Report of  
Insured Depository Institutions' Section 23A Transactions with Affiliates  
(FR Y-8; OMB No. 7100-0126)**

**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 quarterly Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8; OMB No. 7100-0126). This reporting form collects information on transactions between an insured depository institution and its affiliates that are subject to section 23A of the Federal Reserve Act. The FR Y-8 is filed quarterly by all top-tier bank holding companies (BHCs), including financial holding companies (FHCs), for all insured depository institutions that are owned by the BHC and by foreign banking organizations (FBOs) that directly own a U.S. subsidiary bank. The FR Y-8 reporting form comprises a cover page, declaration page, and two pages collecting data on covered transactions and derivatives.

The primary purpose of the data is to enhance the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act. Section 23A of the Federal Reserve Act is one of the most important statutes on limiting exposures to individual institutions and protecting against the expansion of the federal safety net.

The Federal Reserve proposes to require that respondents submit all FR Y-8 reports electronically effective with the June 30, 2009, report date. The Federal Reserve will no longer accept paper copy reports as of this reporting date. The total current annual burden for the FR Y-8 report is estimated to be 52,010 hours.

**Background and Justification**

The Federal Reserve implemented the FR Y-8 in March 1975 to monitor transactions between subsidiary depository institutions, the parent BHC, and other affiliates of the BHC. Over the years the reporting panel and data items were revised to reflect changing data needs.

In 2000, the reporting form and instructions were completely revised to enhance the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act. BHCs were required to file the information separately for each of their insured depository institutions. In addition, FBOs that directly own U.S. subsidiary banks were added to the reporting panel. The reporting frequency was changed from semi-annual to quarterly and interim reporting of certain large asset transfers was eliminated.

Section 23A of the Federal Reserve Act is one of the most important statutes protecting against the expansion of the federal safety net (that is, lower cost insured deposits, the payment system, and the discount window) by limiting exposures of insured depository institutions to affiliates. The Gramm-Leach-Bliley Act of 1999 elevated the importance of section 23A and the

need to collect information to monitor insured depository institution exposures to affiliates. FR Y-8 data are necessary to monitor compliance with section 23A of the Federal Reserve Act.

The required information on derivative transactions between insured depository institutions and their affiliates enables supervisory staff to better monitor trends in intercompany derivative transactions on an aggregate basis. This information, coupled with enhanced on-site supervision of derivative transactions between insured depository institutions and their affiliates at large banking organizations, aid the Federal Reserve in evaluating whether it should continue the approach for regulating derivative transactions between insured depository institutions and their affiliates that was initially adopted in the Regulation W.

### **Description of Information Collection**

The FR Y-8 is filed quarterly by all top-tier BHCs, including FHCs, for all insured depository institutions that are owned by the BHC and by FBOs that directly own a U.S. subsidiary bank (respondents). Respondents are required to file the information separately for each of their insured depository institutions.

Respondents that own insured depository institutions that do not have any covered transactions with affiliates and do not have any financial subsidiaries sign the declaration page attesting to these facts and submit it each quarter with the cover page. All other respondents must report data on covered transactions and derivatives for each of their insured depository institutions. The data to be reported varies based on the activities and subsidiaries of the insured depository institution. There are four data items for insured depository institutions that have covered transactions with affiliates other than financial subsidiaries. There are 10 data items on covered transactions between insured depository institutions that control financial subsidiaries. Finally, there is a data item on the maximum aggregate amount of all covered transactions for any single day during the calendar quarter and three data items on derivative transactions with affiliates.

### **Proposed Revision to the Filing Method**

The Federal Reserve proposes to require that all respondents electronically submit all FR Y-8 reports effective with the June 30, 2009, report date. The Federal Reserve would no longer accept paper copy reports from respondents as of this reporting date. Currently, approximately 87 percent of respondents submit their FR Y-8 reports electronically.

Respondents that do not currently submit their FR Y-8 reports electronically may submit utilizing on-line data entry, develop the appropriate software for electronic submission, or contract with a software vendor that can provide the required software and services. Any respondent that would like to develop its own electronic submission software would be required to contact its district Federal Reserve Bank for guidance.

The Federal Reserve has provided BHCs the option to submit their FR Y-8 reports electronically since 2000 but has never required electronic submission. The Federal Reserve has continued to promote the use of electronic submission of the FR Y-8 and other regulatory

reports. All banks have been required to submit their Consolidated Reports of Condition and Income (FFIEC 031 & 041; OMB No. 7100-0036) (Call Reports) electronically since 1997.

The Federal Reserve proposes to require electronic submission of the FR Y-8 to increase the quality and timeliness of the data. As a part of the electronic submission process, respondents would be required to pass all validity edits prior to data being accepted by the Federal Reserve. A list of validity edits is located in the instructions to the FR Y-8 and has been available to respondents and software vendors since December 2000. Validity edits are principally used to check the mathematical accuracy of financial data submitted on the FR Y-8 reports. Respondents would not be required to pass quality edits as a part of the electronic submission process.

The Federal Reserve believes that electronic submission will result in more efficient financial data collection and dissemination of information to analysts and examiners. Improving the timeliness and accuracy of data will enhance the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act.

### **Frequency**

The Federal Reserve recommends that the reporting frequency of the FR Y-8 remain quarterly for all respondents. Regular and frequent reporting significantly enhances the Federal Reserve's ability to monitor transactions with affiliates and to detect liquidity and funding problems within an organization. Regular reporting permits off-site monitoring, consistent with the goals of the risk-focused examination approach. FR Y-8 data facilitate pre-analysis work and conserve on-site examination resources for verifications of compliance and a review of pertinent issues. In addition, quarterly data lends itself to analysis with data collected on other BHC reports and the Call Reports.

### **Time Schedule for Information Collection**

The FR Y-8 is submitted quarterly as of the last day of March, June, September, and December to the appropriate Reserve Bank within thirty days after the as-of-date. A 15-day extension may be given to respondents that own banks with more than one foreign office. FR Y-8 data are not published.

### **Legal Status**

The Board's Legal Division has determined that section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)) and section 225.5(b) of Regulation Y (12 CFR 225.5(b)) authorize the Board to require the FR Y-8. The data are confidential pursuant to the Freedom of Information Act (5 U.S.C 552(b)(4)). Section (b)(4) exempts information deemed competitively sensitive from disclosure.

## Estimates of Respondent Burden

The current annual burden is estimated to be 52,010 hours as shown in the following table. Respondents vary greatly in size and number of insured depository institutions; although the largest holding companies have several insured depository institutions, the average is less than two insured depository institutions. Similarly, although the volume of section 23A transactions may be high for some insured depository institutions, approximately 75 percent of the insured depository institutions have no covered transactions and therefore only complete the cover page and declaration page. The requirement to file electronically should not increase burden for respondents. Since all BHCs submit their FR Y- 9C and all banks submit their Call Reports electronically, all respondents have access to electronic systems to submit data. The total annual burden of this report represents just over 1 percent of total Federal Reserve System annual reporting burden.

	<i>Number of respondents<sup>1</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Institutions with covered transactions	1,013	4	7.8	31,606
Institutions without covered transactions	<u>5,101</u>	4	1.0	<u>20,404</u>
<i>Total</i>	6,114			52,010

The total annual cost to the public for this information collection is estimated to be \$3,206,417.<sup>2</sup>

## Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing the FR Y-8 are estimated to be \$211,800 per year.

## Consultation Outside the Agency

On November 13, 2008, the Federal Reserve published a notice in the *Federal Register* (73 FR 67159) requesting public comment for 60 days on the revision, without extension, of the FR Y-8. The comment period for this notice expired on January 12, 2009. The Federal Reserve did not receive any comments; the revisions will be implemented as proposed. On March 12, 2009, the Federal Reserve published a final notice in the *Federal Register* (74 FR 10741).

<sup>1</sup> For purposes of this burden table, the number of respondents represents the number of FR Y-8 reporting forms filed.

<sup>2</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: 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**

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