

**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 revise 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) under the emergency clearance provisions of OMB's regulations. 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.<sup>1</sup> 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 add the following two data items to the FFIEC 002 effective December 31, 2008: (1) number of noninterest-bearing transaction accounts over \$250,000 and (2) amount of noninterest-bearing transaction accounts over \$250,000. These revisions arise from interim and final rules approved by the FDIC Board of Directors on October 23, 2008, and November 21, 2008, respectively, which implement the FDIC's Temporary Liquidity Guarantee (TLG) Program. These two data items would be submitted by eligible insured depository institutions participating in the Transaction Account Guarantee Component of the TLG program and would allow the FDIC to determine assessment fees. The current annual burden for the FFIEC 002 is estimated to be 26,400 hours; the proposed revisions are estimated to increase the annual burden

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<sup>1</sup> 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.

to 26,421 hours. The current annual burden for the FFIEC 002S is estimated to be 1,560 hours and would remain unchanged.

## **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, although the FFIEC 002 collects fewer data items of information.

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 report 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 report 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.

In addition to its supervisory and regulatory uses, the FFIEC 002 report 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 Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks (FR 2069; OMB No. 7100-0030). 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 report 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-10<sup>2</sup> 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 fifty largest non-U.S. banks in the world operates at least one agency or branch in the United States.

### **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. Each branch or agency of a particular foreign bank must submit a separate quarterly report, with one exception. A foreign bank may submit a request to the appropriate Federal Reserve Bank to consolidate reporting for two or more offices, provided that (1) the offices are located in the same city or metropolitan area, the same state, and the same Federal Reserve District, and (2) the consolidated report does not consolidate branches with agencies or insured branches with uninsured branches.

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<sup>2</sup> The Group of Ten 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.

While conforming generally to the U.S. commercial bank Call Report, the format of the FFIEC 002 has been designed to reflect the portfolio patterns of branches and agencies of foreign banks and their institutional character. There is more disaggregated reporting of foreign and domestic customers than is required in the Call Report for domestic banks, and Schedule M of the FFIEC 002 provides information on claims on, and liabilities to, the foreign bank head office and other related institutions of the U.S. branches and agencies.

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, 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. This reporting treatment of due to/due from transactions with related institutions parallels the treatment called for in Schedule M of the FFIEC 002, Due from/Due to Related Institutions in the U.S. and in Foreign Countries.

Both the assets and the liabilities sections of the supplement call for detail by location and type of the other party to the transaction and by whether the transaction is denominated in U.S. or non-U.S. currency. In addition, for claims on U.S. addressees (other than related depository institutions) denominated in U.S. dollars, detail on type of claim is required. In general, the definitions of the specific types of claims (that is, portfolio items) called for, and their reporting treatment, correspond to the FFIEC 002 definitions of those data items. Further detail on transactions with U.S. addressees denominated in U.S. dollars is reported in a Memoranda section. All data items are reported in U.S. dollars. Transactions denominated in other currencies are converted to U.S. dollars under currency translation procedures used for the FFIEC 002.

The Federal Reserve offers an electronic data transmission facility through which respondents to various reports collected by the Federal Reserve may submit information. The Internet Electronic Submission (IESUB) system was offered to U.S. branches and agencies of foreign banks for electronic entry of the FFIEC 002 and the FFIEC 002S beginning in 1990.

### **Proposed Revisions Effective December 31, 2008**

On Schedule O, Other Data for Deposit Insurance Assessments, two data items would be added in which participating institutions in the TLG program would report the number and amount of noninterest-bearing transaction accounts, as defined, over \$250,000, including amounts swept from noninterest-bearing transaction accounts into noninterest-bearing savings accounts. A participating institution would have the option to exclude amounts in custodial or escrow noninterest-bearing transaction accounts over \$250,000 on which pass-through insurance coverage applies as well as amounts in noninterest-bearing transaction accounts over \$250,000 that are

otherwise insured under joint account relationships or other existing provisions of the FDIC's deposit insurance rules to the extent that these amounts can be determined by the institution and are fully supported in the institution's regulatory reporting workpapers. A participating institution would not be required to make a determination of amounts over \$250,000 that are otherwise insured but may do so at its option.

Because of the immediate implementation of the TLG Program, the agencies cannot reasonably comply with normal clearance procedures because an unanticipated event has occurred and the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.

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

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 thirty 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 web site at: [www.ffiec.gov/nicpubweb/nicweb/nichome.aspx](http://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.

### **Consultation Outside the Agency**

Prior to the issuance of the interim rule, the FDIC consulted with U.S. Treasury Department, the Board, the OCC, and the OTS. The FDIC requested public comment on the interim rule for an

abbreviated 15-day period ending on November 13, 2008. The FDIC received over 700 comment letters on the interim rule and, after consideration of these comments, the FDIC Board approved the final rule on November 21, 2008. However, the agencies will follow this request for emergency processing with a request under normal clearance procedures, during which comments will be solicited for 60-day and 30-day periods. All comments received on paperwork burden, whether during the 15-, 60-, or 30-day comment periods will be considered in finalizing the collection.

### Estimate of Respondent Burden

The FFIEC 002 is collected from the universe of U.S. branches and agencies of foreign banks. As of June 30, 2007, the number of respondents is 264 and the current estimated annual reporting burden is 26,400 hours. The agencies estimate the total proposed annual reporting burden to be 26,421 hours, an increase of 21 hours, as presented in the following table. The FFIEC 002S is collected from all U.S. branches and agencies of foreign banks that manage or control a non-U.S. branch. As of June 30, 2007, the number of respondents is 65 and the current estimated annual reporting burden is 1,560 hours. The proposed total annual burden for the FFIEC 002 and FFIEC 002S 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>
<b>Current</b>				
FFIEC 002	264	4	25.00	26,400
FFIEC 002S	65	4	6	<u>1,560</u>
<i>Total</i>				27,960
<b>Proposed</b>				
FFIEC 002	264	4	25.02	26,421
FFIEC 002S	65	4	6	<u>1,560</u>
<i>Total</i>				27,981
<i>Change</i>				21

The total cost to the public is estimated to increase from the current level of \$1,723,734 to \$1,725,029 for the revised FFIEC 002 and FFIEC 002S.<sup>3</sup>

<sup>3</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.

## **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.