

SUPPORTING STATEMENT
COUNTRY EXPOSURE REPORT
(OMB No. 3064-0017)

INTRODUCTION

Under the auspices of the Federal Financial Institutions Examination Council (FFIEC), the FDIC is requesting OMB approval to extend for three years, without revision, the quarterly Country Exposure Report (form FFIEC 009) and the Country Exposure Information Report (form FFIEC 009a), which have clearances that expire on April 30, 2009. These reports provide information regarding the amounts and composition of the holdings, by a U.S. banking institution, of international assets. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting this revision for OMB review for the banking institutions under their supervision.

This reporting and disclosure requirement is authorized by Sections 907(a) and (b) of the International Lending Supervision Act of 1983, as implemented by FDIC regulation 12 CFR 347.305, which requires insured State nonmember banks to submit quarterly their reports to the FDIC and to disclose to the public material country exposures.

A. JUSTIFICATION

1. Circumstances and Need

Pursuant to Section 907 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906), banking institutions must report at least quarterly the amount and composition of their holdings of international assets. This information is crucial in determining (and monitoring) the soundness of the reporting bank as well as the U.S. banking system. A number of borrowers in foreign countries have experienced difficulties in paying the loans granted to them by U.S. banks. This inability to pay or delays in repayment can impair a bank's liquidity; affect a bank's market rating and acceptability and, thus, its access to and cost of funding and capital; and affect a bank's earnings.

The Country Exposure Report has been required of U.S. banks since 1979. Since 1984 the report has been collected on a quarterly basis. Periodically, the federal banking agencies jointly, under the auspices of the FFIEC, make revisions to the report to improve the agencies' ability to determine and monitor the soundness of U.S. banks. Insured state nonmember banks submit their reports under the provisions of FDIC Regulation 12 CFR 347.305.

The Country Exposure Report (form FFIEC 009) is the only method the Federal bank regulatory agencies have to systematically monitor overseas exposures of U.S. banks in individual foreign countries. On February 2, 1984, the FFIEC sanctioned collection of the supplementary Country Exposure Information Report (form FFIEC 009a) to implement the public disclosure requirements of the International Lending Supervision Act of 1983. The reports are required to

be submitted to the federal bank supervisory agencies by (a) insured commercial banks that have foreign offices or an international banking facility (IBF) and have claims on residents of foreign countries of more than \$30 million, (b) certain bank holding companies, and (c) such other banks with country exposure that is large relative to capital, as determined by the agencies.

2. Use of Information Collected

On the Country Exposure Report (form FFIEC 009), outstanding claims are broken down by type of borrower, i.e., banks, public sector, and other. Outstanding claims with a remaining maturity of one year or less are also reported. The form provides a methodology to reallocate guaranteed obligations to the country of the guarantor to facilitate identification of the country of residence of the party with ultimate responsibility for the obligation. The report also requests data on firm commitments of banks to advance additional funds in countries covered by the report, local currency assets and liabilities of bank branches in those countries, exposures covered by U.S. government guarantees, and the funding relationship of the bank's other branch offices vis-a-vis offices in those countries.

The report is used to analyze trends in overseas lending by individual U.S. banks and the U.S. banking system as a whole. The data can be used as a preliminary indicator of relative levels of risk undertaken by individual banks that file these reports and serve as a crucial tool in the examination process of these institutions. The reported data are essential for research, bank supervision and policy formulation within the banking agencies.

On behalf of the three banking agencies, the FRB makes the reported country exposure information available, in aggregate form, to the Bank for International Settlements (BIS), Basel, Switzerland. The BIS periodically issues statistical data on the overall indebtedness of various countries throughout the world. The data abstracted from the Country Exposure Report is uniquely valuable to the BIS since it contains insights on short-term indebtedness of various countries (at least that portion owed to U.S. banks) which are not ordinarily available from the country. BIS data are utilized by a number of banks, governments, and analysts in determining the total debt burden of various countries.

The FFIEC issues a quarterly statistical release that displays the aggregate amounts reported by respondent banks. This information is available to banks, government agencies, and the public.

The supplement (form FFIEC 009a) collects data on exposures exceeding certain thresholds. Included in Part A are exposures to a country which exceed the lesser of 1 percent of the respondent bank's assets or 20 percent of capital. Included in Part B are exposures, not large enough to report in Part A, but which exceed the lesser of 0.75 percent of assets or 15 percent of capital. The respondent bank needs only to list the names of the countries and the aggregate amount of exposure for all the countries listed under Part B. The form FFIEC 009a is available to the public.

3. Use of Technology to Reduce Burden

Effective with the March 31, 2003, report date, the FFIEC required electronic submission of all FFIEC 009 and 009a reports. The Federal Reserve Bank of New York collects and processes the FFIEC 009 and 009a reports on behalf of the three banking agencies via the Federal Reserve System's Internet Electronic Submission (IESUB) system. Electronic filing capability via IESUB is available on the Internet through the use of data entry or a file transfer feature. These methods are secure and result in a minimal burden to banks and bank holding companies.

4. Efforts to Identify Duplication

Data submitted are unique in that they are used for supervising international asset risk in U.S. banks. The U.S. Treasury Department collects information from banks and banking institutions in its International Capital Form BC/SA. That report is required for any bank or banking institution with aggregate dollar claims on foreigners which average \$15 million or more. The Treasury form does not contain most of the items included in the Country Exposure Report that are considered necessary for supervisory and regulatory purposes. For example, the Treasury report includes only dollar claims while the Country Exposure Report calls for inclusion of all claims in a country denominated in a currency external to that country. In addition, the Treasury form does not collect information on exposures with a remaining maturity of one year or less, the reallocation of claims for guarantees, commitments to advance additional funds, and local currency assets and liabilities. Finally, the Treasury report does not include claims on foreigners made at overseas offices of U.S. banks. These limitations preclude the use of the Treasury information for bank supervisory purposes.

5. Minimizing the Burden on Small Banks

Banks with aggregate international exposures of under \$30 million do not have to report. Therefore, the FDIC has eliminated practically all small banks from this reporting requirement. Currently, only 18 banks supervised by the FDIC are required to complete the quarterly Country Exposure Reports.

6. Consequence of Less Frequent Collection

Federal statute precludes less frequent collection and disclosure.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The Country Exposure Report and Country Exposure Information Report are mandated by law; however, the FDIC and the other banking agencies communicate on a continuous basis with banks required to complete the Report. The banking agencies also consult with trade associations and other government agencies on the reports.

On September 2, 2008, the OCC, the FRB, and the FDIC jointly published a notice soliciting comments for 60 days on a proposal to extend for three years, without revision, the Country Exposure Report and Country Exposure Information Report. (See Attachment 4.) The agencies received no comments on this proposal.

9. Payment or Gift to Respondents

None.

10. Confidentiality

Individual bank information reported on the form FFIEC 009 is considered to be exempt from public disclosure under the FOIA (5 U.S.C. 552(b)(8)). However, U.S. banking system aggregates are made available to the public by the banking agencies and through the FFIEC. The form FFIEC 009a is available to the public on an individual bank basis.

11. Information of a Sensitive Nature

Not applicable.

12. Estimate of Annual Burden

The annual reporting burden on respondents is estimated to be 5,418 hours. This is based on 18 respondents submitting quarterly reports, where 75.25 hours are required to prepare the two reports. Of the 75.25 hours, it is estimated that it requires, on average, 70 hours to prepare the form FFIEC 009 and 5.25 hours to prepare the form FFIEC 009a (18 x 4 x 75.25 hours = 5,418 hours).

13. Capital, Start-Up, Operating, and Maintenance Cost Burden

None.

14. Estimates of Annualized Cost to the Federal Government

The Federal Reserve Bank of New York collects and processes the FFIEC 009 and 009a reports on behalf of the three banking agencies via the Federal Reserve System's IESUB system. Therefore, there are no direct costs to the FDIC.

15. Reason for Change in Burden

The change in burden associated with this submission is caused by a net decrease from 21 to 18 (i.e., 3 banks) in the number of reporting institutions supervised by the FDIC that are required to file the FFIEC 009 and 009a reports. An analysis of the change in burden is as follows:

| | |
|-----------------------------------|--------------------|
| Currently approved burden | 6,321 hours |
| <u>Adjustment (change in use)</u> | <u>- 903 hours</u> |
| Requested (new) burden: | 5,418 hours |
| | |
| Net change in burden: | - 903 hours |

16. Publication

Certain aggregate data reported in the form FFIEC 009 are made available to the public by the FFIEC in a Statistical Release. The form FFIEC 009a is available to the public on an individual bank basis.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.

Attachments:

1. FFIEC 009 and FFIEC 009a and instructions
2. 12 USC 3906
3. 12 CFR 347
4. Initial *Federal Register* notice and request for comment, 73 FR 53100 (September 2, 2008)
5. Draft final *Federal Register* notice and request for comment.