

**Supporting Statement for
Supervisory and Regulatory Survey
(FR 3052; OMB No. 7100-to be assigned)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to implement the Supervisory and Regulatory Survey (FR 3052; OMB No. 7100-to be assigned). Respondents would comprise financial businesses. This survey could be mandatory for financial institutions regulated by the Federal Reserve and voluntary for all other respondents. The Federal Reserve would use this event-driven survey to obtain information specifically tailored to the Federal Reserve's supervisory, regulatory, and operational responsibilities. The Federal Reserve proposes to conduct the survey as needed up to 24 times per year. The frequency and content of the questions would depend on changing economic, regulatory, supervisory, or legislative developments. The annual burden is estimated to be 60,000 hours.

Background and Justification

The Federal Reserve promotes a safe, sound, and competitive banking system and stable financial conditions by:

- overseeing the quality and efficiency of the supervisory activities of the Reserve Banks,
- developing and implementing effective supervisory policies, and
- contributing to the conduct of the central bank's other responsibilities by advising the Board of current conditions and significant emerging developments at banking institutions and within financial markets.

The Federal Reserve has responsibility for supervising and regulating the following segments of the banking industry to ensure safe and sound banking practices and compliance with banking regulations:

- bank holding companies, including diversified financial holding companies formed under the Gramm-Leach-Bliley Act of 1999 and foreign banks with U.S. operations, and their nonbank subsidiaries,
- state-chartered banks that are members of the Federal Reserve System (state member banks),
- foreign branches of member banks,
- Edge and agreement corporations, through which U.S. banking organizations may conduct international banking activities,
- U.S. state-licensed branches, agencies, and representative offices of foreign banks, and
- U.S. nonbanking activities of foreign banks.

Although the terms *bank supervision* and *bank regulation* are often used interchangeably, they refer to distinct, but complementary, activities. Bank supervision involves the monitoring, inspecting, and examining of banking organizations to assess their condition and their compliance with relevant laws and regulations. Bank regulation entails issuing specific regulations and guidelines governing the operations, activities, and acquisitions of banking

organizations.

The Federal Reserve has a long history of conducting surveys, including those of individuals and households, military personnel, financial institutions and their senior officers, and nonfinancial businesses (both small and large). Often the surveys have provided the only reliable source of information relevant to the motivation for the survey. Although these surveys have been driven by specific needs of the Federal Reserve, their aggregated findings have also been used extensively by researchers outside the Federal Reserve System and have been widely cited by the media.

The supervision and policy functions of the Federal Reserve have occasional need to gather data on an ad-hoc basis from the banking and financial industries on their financial condition (outside of the standardized regulatory reporting process) and decisions that they have made to adjust to the changes in the economy. Further, the data may relate to a particular business activity that requires a more detailed presentation of the information than is available through the regulatory reports (such as, the Call Report and the FR Y-9¹). These data may be particularly needed in times of critical economic or regulatory changes or when issues of immediate supervisory concern arise from Federal Reserve supervisory initiatives and working groups or requests from Board Members and the Congress.

Description of Information Collection

The Federal Reserve proposes to conduct various versions of the survey during the year, as needed, to collect information on specific issues that affect its decision making. The survey's principal value would be the flexibility it provides the Federal Reserve to respond quickly to the need for data due to unanticipated economic, financial, supervisory, or regulatory developments and unforeseen Congressional requests for information. The Federal Reserve cannot predict what specific information will be needed, but such needs are generally very time sensitive. The Federal Reserve seeks general approval to conduct the survey as needed and proposes that it be authorized to conduct up to 24 surveys per year from as many as 5,000 respondents (per survey). It is anticipated that information would not be needed with such frequency and would most likely be limited to a certain subset of institutions (not the full proposed panel of 5,000). Moreover, it is anticipated that the survey would not be used on a regular basis. However, approval of a frequency of up to 24 times a year would provide the maximum amount of flexibility needed to conduct several different surveys during the year (such as a weekly survey for 12 weeks and a separate survey once a month for a total of 24 surveys per year).

The survey topics discussed with the respondents would be time sensitive and the questions of interest would vary with the focus of the survey. Because the relevant questions would change with each survey, there would be no fixed reporting form. For each survey, the Federal Reserve would prepare questions of specific topical interest. The Federal Reserve would then determine the relevant target group to contact.

¹ For the purpose of this proposal, the Call Report refers to the reports of condition and income for commercial banks (FFIEC 031 and FFIEC 041; OMB No. 7100-0036), U.S. branches and agencies of foreign banks (FFIEC 002; OMB No. 7100-0032), and Edge Act and agreement corporations (FR 2886b; OMB No. 7100-0086). The FR Y-9 series is the Financial Statements for Bank Holding Companies (OMB No. 7100-0128).

Written qualitative questions or questionnaires might include categorical questions, yes-no questions, ordinal questions, and open-ended questions. Written quantitative surveys could include dollar amounts, percentages, numbers of items, interest rates, and other such information; adequate data of this sort would not be available from any other source on a time-sensitive basis. Before conducting a survey, the Federal Reserve would review any information to be collected on a case-by-case basis to determine if the information is available by other means or sources. Institutions might also be required to provide copies of existing documents (for example, pertaining to practices and performances for a particular business activity). Less formal information collection studies, such as focus groups or cognitive interviews, would use a set of structured qualitative and quantitative questions as a guide to more extended discussion of the questions and answers. The size of the samples and the length of the data collection period would vary depending on the particular informational needs.

The survey generally would be coordinated and conducted by the Federal Reserve Board and Reserve Banks as part of other on-going supervisory activities. In most cases, examination staff would conduct the surveys, leveraging their relationships and contacts with institutions and current work assignments. Any survey would not be considered part of the examination process and each institution would be aware of this determination. In addition, the survey could be conducted through a private firm, which would be chosen in a competitive bidding process or other acceptable negotiated process. The survey could be developed by the Federal Reserve alone or jointly with the firm selected by the Federal Reserve. As necessary, the firm would be responsible for testing the survey procedures, following the sampling protocol established by the Federal Reserve, conducting the survey as specified by the Federal Reserve, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results would be conducted either solely by the Federal Reserve or jointly with the firm.

Much of the information would be obtained via written surveys because (1) data are maintained in general ledger systems and may not be readily available or (2) the data may be maintained by different operational areas of the financial business, requiring input from multiple individuals.

Time Schedule for Information Collection and Publication

The time schedules for the distribution of, response to, and collection of data for each survey would be determined during the planning phase prior to the distribution of the survey instrument. The time schedule for data collected from surveys conducted by survey firms would be detailed in the individual contract documents.

Prior to asking institutions to complete a survey, the Federal Reserve would explain to respondents the purpose of the survey and how the data would be used. The Federal Reserve would choose whether to publish survey data that it obtains from respondents and would inform them beforehand if the data were to be published on an individual institution basis. The Federal Reserve Board may choose to keep survey data confidential, depending upon the nature of the data collection. Aggregate survey information may be cited in published material such as

Federal Reserve studies or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles.

Legal Status

The Board's Legal Division has determined that these surveys are authorized pursuant to the:

- Federal Reserve Act, Sections 2A, 9, 12A, 25, and 25A (12 U.S.C. §§ 225a, 324, 263, 602, and 625);
- Bank Holding Company Act, Section 5(c) (12 U.S.C. § 1844(c));
- International Banking Act of 1978, Section 7(c)(2) (12 U.S.C. § 3105(c)(2)); and
- Federal Deposit Insurance Act, Section 7(a) (12 U.S.C. § 1817(a)).

Generally, respondent participation in these surveys is voluntary. However, with respect to collections of information from state member banks, bank holding companies (and their subsidiaries), Edge and agreement corporations, and U.S. branches and agencies of foreign banks supervised by the Federal Reserve, the Federal Reserve could make the surveys mandatory. The ability of the Federal Reserve to maintain the confidentiality of information provided by respondents to the FR 3052 surveys would be determined on a case-by-case basis depending on the type of information provided for a particular survey. Depending upon the survey questions, confidential treatment could be warranted under subsections (b)(4), (b)(6), and (b)(8) of the Freedom of Information Act. 5 U.S.C. §§ 552(b)(4), (6), and (8).

Consultation Outside the Agency and Discussion of Public Comments

At this time there has been no consultation outside the Federal Reserve System; however, surveys and studies could be conducted jointly with other agencies. If this were to occur, the Federal Reserve would consult with other agencies, to the extent practicable, to create a consistent set of questions or a substantively similar information collection. On July 16, 2009, the Federal Reserve published a notice in the *Federal Register* (74 FR 34577) requesting public comment for 60 days on the proposed FR 3053 information collection. The comment period for this notice expired on September 14, 2009. The Federal Reserve did not receive any comments. On September 25, 2009, the Federal Reserve published a final notice in the *Federal Register* (74 FR 48967). The FR 3052 will be implemented as proposed.

Sensitive Questions

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

Estimate of Respondent Burden

The annual burden for the proposed FR 3052 survey is estimated to be 60,000 hours as shown in the following table. The number of respondents is based on the average number of responses anticipated per survey conducted. Because the survey is event-generated, it is not possible to predict exactly how many surveys will be conducted in a given year. For purposes of this estimate, it is assumed that the surveys would be conducted up to 24 times per year. It is

also estimated that respondents would spend no more than 30 minutes completing each survey. This represents 1 percent of total Federal Reserve System annual paperwork burden.

	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average time per response (minutes)</i>	<i>Estimated annual burden hours</i>
FR 3052	5,000	24	30	<u>60,000</u>

The current annual cost to the public of these reports is estimated to be \$3,699,000.²

Estimate of Cost to the Federal Reserve System

The cost of the surveys would depend on the size of the sample, the number of questions asked, the type and complexity of the questions asked, the frequency of the surveys, and whether the survey is conducted by a private firm or Federal Reserve System. The Federal Reserve anticipates that in most cases Federal Reserve System would conduct the surveys and there would be no additional staffing costs.

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% Administrative or Junior Analyst @ \$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 (BLS), Occupational Employment and Wages 2007, <http://www.bls.gov/news.release/ocwage.nr0.htm> Occupations are defined using the BLS Occupational Classification System, <http://www.bls.gov/soc/>