

SUPPORTING STATEMENT

Extension of Treasury Foreign Currency (TFC)
Form FC-1 (OMB Control Number 1505-0012)

PART A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

Completion of Foreign Currency Forms FC-1, FC-2, and FC-3, to be filed by major market participants, is required under Title II of Public Law 93-110 (87 Stat. 352, 31 U.S.C. 5315), and implementing regulations.

2. How, by whom, and for what purpose is the information to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The data collected on Foreign Currency Forms FC-1, FC-2 and FC-3 are used in connection with supplemental information from other sources to better understand the sources and nature of mobile capital flows which can have a significant impact on the functioning of the international monetary system. Aggregate data from this form is published quarterly in the "Foreign Currency Positions" section of the Treasury Bulletin. Data reported by individual firms may be made available to other Federal agencies pursuant to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.), and to the Federal Reserve District Banks. Data are made available to the Federal Reserve System for analysis of market forces to aid in the formulation and implementation of U.S. monetary policy and operations in foreign exchange markets. In addition, data reported by individual banks may be made available to the Federal Reserve Board insofar as authorized by Section 11(a) of the Federal Reserve Act, as amended, (12 U.S.C. 248(a)(2)).

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden. Explain how you will provide a fully electronic reporting option (meaning no paper from the respondent is required) by October 2003, or an explanation of why this is not practicable.

These data constitute the U.S. government's sole source of monthly information on the Foreign Currency positions of major market participants in the currencies specified. Since any major participant could initiate an exchange market transaction of sufficient size to affect the market, probability sampling methods are not appropriate under the congressional mandate for complete information under PL 93-110. The option of filing

the three TFC Forms via the internet has been available to respondents since October 1, 2003.

4. Describe efforts to identify duplication.

There is no duplication in the collection of these data. Similar information does not exist. Previously, some of this information was collected with the FFIEC 035 form "Monthly Consolidated Foreign Currency Report of Banks in the U.S." (O.M.B. No. 1557-0156), but it was discontinued to eliminate duplication. The Treasury is the sole U.S. Government collection authority for such data.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

The level of reporting thresholds exempt most small businesses and sole proprietorships. Individuals other than sole proprietors and partnerships have been exempted since the inception of the reporting requirement. Reporting exemptions are provided which are intended to limit reporting to major firms which are active in the foreign exchange market.

6. Describe the consequences to Federal program or policy activities if the collection were not conducted or was conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The primary legal obstacle to reducing burden is the statutory mandate to collect the information. (See Item 1 above.)

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: (a) requiring respondents to prepare information to the agency more often than quarterly; (b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; (c) requiring respondents to submit more than an original and two copies of any document; (d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years; (e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study; (f) requiring the use of a statistical data classification that has not been reviewed and approved by OMB; (g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or (h) requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

Due to the rapid changes characteristic of foreign exchange markets, quarterly reporting as required in 5 C.F.R. 1320.6 (a) and reporting delays of 30 days as required in 5 C.F.R.

1320.6 (b), would make the data collected on Foreign Currency Forms FC-1 and FC-2 untimely. The mandate of PL. 93-110 (31 U.S.C. 5315) was to provide the most current data feasible for such purposes. Foreign Currency Form FC-3 complies with quarterly reporting as required in 5 C.F.R. 1320.5 (d)(2)(i) and reporting delays of 30 days as required in 5 C.F.R. 1320.5 (d) (2) (ii).

Apart from the foregoing case, there are no special circumstances regarding the TFC forms that are inconsistent with the conditions outlined in Item A.7 of the Specific Instructions for Supporting Statements for Paperwork Reduction Act Submissions.

8. Summarize public comments received in response to the Federal Register Notice requesting public comments and describe actions taken by the agency in response to these comments, particularly comments on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Treasury's notice and request for public comment on Forms FC-1, FC-2, and FC-3 was published in the Federal Register on Tuesday, December 1, 2009 (74 F.R. 229 pp. 62885-86). The deadline for receiving pre-clearance comments was Monday, February 1, 2010.

No comments were received from the public or respondents regarding the two changes proposed for forms FC-1 and FC-2 and the Instructions. The proposed changes are: (1) Eliminate the reporting of Net Reported Dealer position on the two forms. This would remove row 4 (six cell) from FC-1 and row 9 from FC 2 (6 cells), leading to a significant reduction in reporting burden. (2) Add some clarifying language to the reporting instructions on the treatment of cross-currency interest rate swaps. This would be beneficial to both preparers of the forms and to users of the data. No changes are proposed for form FC-3.

Discussions regarding all aspects of the reporting requirement are held on an ongoing basis with experts at the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (FRBNY). The FRBNY is the processing center for the review and edit of data submissions, and the staffs of the FRBNY and other district Federal Reserve Banks maintain regular contact with the major respondents.

All three TFC forms are available on the Federal Reserve Bank of New York website at: http://www.newyorkfed.org/banking/reportingforms/TFC_1.html
http://www.newyorkfed.org/banking/reportingforms/TFC_2.html
http://www.newyorkfed.org/banking/reportingforms/TFC_3.html

The proposed draft forms FC-1 and FC-2 are found in the section called "Additional Information" on the respective webpages.

9. Explain any decision to provide any payment or gift to respondents.

Regarding Forms FC-1, FC-2, and FC-3, there has been no provision of payments or gifts to respondents for any purpose.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

It is the policy of the Department of the Treasury to hold the information reported on these forms in confidence. Respondents are informed by the last paragraph of the introduction section of the form instructions that:

Data reported on this form will be held in confidence by the Department of the Treasury and the Federal Reserve Banks acting as fiscal agents of the Treasury. Data reported by individual banks and firms will not be published or otherwise publicly disclosed. Aggregate data may be published or disclosed in ways which will not reveal the amounts reported by any one institution. The data of individual reporters may be provided to other Federal agencies insofar as authorized by the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.), and to the Federal Reserve District Banks.

Title 31, Code of Federal Regulations, Part 128, Section 128.3, Use of Information Reported, states, in part:

The information reported on the forms required under Subparts B and C will not be disclosed publicly by the Department of the Treasury or by any other Federal Agency or Federal Reserve District Bank having access to the information as provided herein. Data reported on these forms may be published or released in the aggregate in a manner which will not reveal the amounts reported by any individual reporting bank or nonbanking firm. The Department may furnish to other Federal agencies data reported on these forms to the extent permitted by applicable law.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

No questions of a sensitive nature are included in the information collection.

12. Provide estimates of the hour burden of the collection of information. Also provide estimates of annualized cost to respondents for the hour burdens.

Estimated Number of Respondents:

Foreign Currency Form FC-1: 22 respondents

Foreign Currency Form FC-2: 22 respondents

Foreign Currency Form FC-3: 38 respondents

Estimated Average Time Per Response:

Foreign Currency Form FC-1: 48 minutes (0.8 hours) per response

Foreign Currency Form FC-2: 3 hours 36 minutes (3.6 hours) per response

Foreign Currency Form FC-3: 8 hours per response

Estimated total annual burden hours:

Foreign Currency Form FC- 1: 915 hours for 52 weekly reporting periods

Foreign Currency Form FC-2: 950 hours for 12 monthly reporting periods

Foreign Currency Form FC-3: 1,216 hours for 4 quarterly reporting periods

Estimated total annual cost to the respondents for the hour burdens:

Foreign Currency Form FC-1 -- \$ 31,065

Foreign Currency Form FC-2 -- \$ 30,599

Foreign Currency Form FC-3 -- \$ 37,450

The estimated average number of man hours required per response was estimated on the basis of experience with similar forms filed with the Department of the Treasury. Informal consultation with a few respondents was made to verify the estimated average number of man hours per response. The result of these consultations tended to substantiate the original estimates.

Generally, completion and review of the forms involves two persons. It is estimated that the average wage of persons completing the forms is \$28.70 per hour (corresponding to an annual salary of \$59,700), while that of supervisory or other more senior staff reviewing the forms is \$45.48 per hour (corresponding to an annual salary of \$94,600). For FC-1, 22 respondents filing 52 times per year, and using an average of 0.55 hour per form completion plus 0.25 hour per review, the total annualized cost to respondents for the burden hours is estimated to be \$31,065. For FC-2, 22 respondents filing 12 times per year, and using an average of 2.85 hours per form completion plus 0.75 hour per review, the total annualized cost to respondents for the burden hours is estimated to be \$30,599. For FC-3, 38 respondents filing 4 times per year, and using an average of 7 hours per form completion plus 1 hour per review, the total annualized cost to respondents for the burden hours is estimated to be \$37,450.

13. Provide an estimate for the total annual cost burden to respondents or recordkeepers not included in Item 12 and Item 14.

- (a) Total annualized capital and start-up costs are estimated to be zero (\$0) dollars. In general reporting on the forms requires neither specialized capital equipment, nor fixed nor variable costs other than those already estimated in item 12, that are not already associated with the customary and usual business practices of respondents.
- (b) Total annualized operations, maintenance, and purchase of service costs are estimated to be zero (\$0) dollars. Reporting on the forms does not in general impose operations, maintenance or specialized services costs that are not already associated with the customary and usual business practices of respondents.

The above cost estimates are not expected to vary widely among respondents.

Note: As required by OMB, the Federal Register notice of December 1, 2009, included an explicit request for public comments on the estimates of cost burdens that are not captured in the estimates of burden hours. No comments on cost estimates were received.

14. Provide estimates of annualized costs to the Federal government.

All TFC reports are printed, circulated, collected, and edited by the Federal Reserve District Banks. The direct cost to the Federal Government in connection with these three reports is estimated to total \$323,825 per annum by the Federal Reserve System, with the cost for FC-1 estimated at \$237,472, the cost for FC-2 estimated at \$54,801, and the cost for FC-3 estimated at \$31,552.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of OMB Form 83-I.

There will be a decrease in total burden hours to 915 for FC-1, and to 950 for FC-2, as compared to the estimates currently carried in OMB's Information Collection Inventory of 1,248 for FC-1, and of 1,152 for FC-2. Of the total 333 hours decrease for FC-1, 229 hours are due to the reduction in reporting requirements (program change), and 104 hours are due to the decrease in the number of respondents from 24 to 22 (adjustment). Of the total 202 hours decrease for FC-2, 106 hours are due to the reduction in reporting requirements (program change), and 96 hours are due to the decrease in the number of respondents from 24 to 22 (adjustment). There will be a 192 hours decrease in total burden hours for FC-3 to 1,216, as compared to the estimate currently carried in OMB's Information Collection Inventory of 1,408 hours. All of the decrease is due to adjustment caused by the decrease in the number of respondents from 44 to 38.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Provide the time schedule for the entire project.

Aggregate data in tabular format is published quarterly in the Treasury Bulletin. The data from Forms FC-1 and FC-2 are published approximately one quarter after the as-of date of the data. The data from Form FC-3 are published approximately two quarters after the as-of date of the data. Additionally, the Treasury Bulletin information is posted to the Treasury website maintained by the Financial Management Service at <http://www.fms.treas.gov/>.

17. If seeking approval to not display the expiration date for OMB approval, explain the reasons that display would be inappropriate.

Approval to not display the expiration date for OMB approval on the forms has previously been granted.

18. Explain each exception to the certification statement identified in Item 19 of OMB Form 83-I.

Regarding this request for OMB approval, there are no exceptions to the certification statement in item 19 of Form 83-I.

February 2010