

**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, without 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 total current annual burden for the FR Y-8 is estimated to be 49,498 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 Regulation W.

Effective with the June 30, 2009, report date, all respondents were required to file the FR Y-8 electronically. Electronic submission of the FR Y-8 has increased the quality and timeliness of the data, enhancing the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act.

### **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.

### **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 30 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 Federal Reserve 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.

## **Consultation Outside the Agency**

On November 10, 2011, the Federal Reserve published a notice in the *Federal Register* (76 FR 70146) requesting public comment for 60 days on the extension, without revision, of the FR Y-8. The comment period for this notice expired on January 9, 2012. The Federal Reserve did not receive any comments. On February 13, 2012, the Federal Reserve published a final notice in the *Federal Register* (77 FR 7578).

## **Sensitive Questions**

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

## **Estimates of Respondent Burden**

The current annual burden is estimated to be 49,498 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 80 percent of the insured depository institutions have no covered transactions and therefore only complete the cover page and declaration page. These reporting requirements represent less than 1 percent of the total Federal Reserve System annual reporting burden.

	<i>Number of respondent<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	1,003	4	7.8	31,294
Institutions without covered transactions	<u>4,551</u>	4	1.0	<u>18,204</u>
<i>Total</i>	5,554			49,498

The total annual cost to the public for this information collection is estimated to be \$2,148,213.<sup>2</sup>

### **Estimate of Cost to the Federal Reserve System**

The cost to the Federal Reserve System for collecting and processing the FR Y-8 is estimated to be \$349,183.

<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% Office & Administrative Support @ \$16, 45% Financial Managers @ \$50, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$80). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm) Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)