

Supporting Statement
OMB Control No. 1557-0100
(MA) - Country Exposure Report and Country Exposure Information Report
(FFIEC Forms 009 and 009a)

The agencies initially proposed to implement these reporting changes as of June 30, 2013. Subject to OMB approval, the proposed reporting changes, as modified in response to industry comments, were scheduled to take effect September 30, 2013, except that SLHCs that will for the first time be subject to the country exposure reporting requirements will begin reporting effective March 31, 2014.

On June 19, 2013, the agencies published a notice in the **Federal Register** (78 FR 36823) advising the public of the revisions and delayed implementation, and that the agencies were submitting their requests to OMB for approval of the extension, with revision, of the FFIEC 009 and FFIEC 009a. The agencies again requested public comment.

In response, the agencies received two additional comments from the banking industry requesting that implementation for current respondents be further delayed from September 30, 2013, until December 31, 2013. The agencies have considered this request and decided to grant this further extension. The effective date of the proposed changes for SLHC respondents will remain March 31, 2014. The agencies will notify respondents through a letter from the FFIEC, which will also be posted on the FFIEC's Web site.

A. Justification

1. Circumstances that make the collection necessary

The OCC, in conjunction with the other Federal banking supervisory agencies, pursuant to section 907 of the International Lending Supervision Act of 1983 (Title 9, Pub. L. 98-181, 97 Stat, 1153) and 12 CFR 28, requires national banks to report quarterly, their exposures in foreign countries and to provide information regarding material exposures in foreign countries.

This information is critical in determining and monitoring the soundness of national banks, state-chartered banks and banking organizations conducting business worldwide. A number of borrowers in other countries have experienced difficulties in paying the loans granted to them by U.S. national banks. This inability to pay, or a delay in repayment, can impair a bank's liquidity, affect a bank's market rating and acceptability, and thus, adversely affect its access to and cost of funding and capital, and can affect a bank's earnings.

2. Purpose and Use of the Information Collection

The Country Exposure Report (FFIEC 009) is used by the OCC to monitor overseas exposure of U.S. banks in individual countries. The OCC and the other Federal financial institutions regulators (the agencies) use the report to analyze trends in overseas lending by individual U.S. banks and the U.S. banking system as a whole. The data are preliminary indicators of relative levels of risk undertaken by individual banks and serve as a crucial tool in the examination process. The reported data are essential for research, bank supervision and policy formulation within the agencies.

The Federal Reserve Board makes this information available in aggregate form, to the Bank for International Settlements (BIS), in Basle, Switzerland. The BIS periodically issues data on the overall indebtedness of various countries throughout the world. The data abstracted from the Country Exposure Report are uniquely valuable to the BIS since insights on short-term indebtedness of various countries (at least that portion owed to U.S. banks), which are not ordinarily available from the countries, are reflected. BIS data are utilized by banks, governments, and analysts in determining the total debt burden of various countries. The Federal Financial Institutions Examination Council (FFIEC) issues a quarterly release, which displays the aggregate amounts reported by respondent banks. This information is used by banks, government agencies, and analysts.

The Country Exposure Information Report (FFIEC 009a) is used by the OCC for examination purposes. Further, the information is disclosed to the public via the FFIEC's Internet Website (<http://www.ffiec.gov/E16.htm>) and on request. This information provides bank depositors, other creditors, and investors a better understanding of an individual national bank's foreign exposures.

3. Consideration of the use of improved information technology

These reports are collected and processed by the Board on behalf of the 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. The agencies no longer accept paper (hard copy) reports from banks and bank holding companies.

4. Efforts to Identify Duplication and Use of Similar Information

The data are unique. They are not otherwise collected.

5. Methods used to minimize burden if the collection has a significant impact on substantial number of small entities

The collections of information do not involve small banks or other small entities. Banks with aggregate international exposures of under \$30 million are not required to file either report. Therefore, small banks are not affected by these requirements.

6. Consequences of Collecting the Information Less Frequently

Federal statutes preclude less frequent reporting and disclosure. Further, since the information is used for bank supervisory purposes and for persons to make financial decisions, stale information would have much less practical utility to the users of the information.

7. Special Circumstances Relating to the Guidelines in 5 CFR 1320

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

On January 29, 2013, the OCC, the Board, and the FDIC jointly published a notice soliciting comments for 60 days a proposal to extend without revision the currently approved information collection of the FFIEC 009 and FFIEC 009a (78 FR 6176). The agencies received comments from five entities: three banking organizations, a savings and loan holding company (SLHC), and a banking association.

Summary of Comments

All five commenters expressed concern over the proposed June 30, 2013, effective date for the implementation of the revised reports and requested a postponement of the effective date to allow more time to implement necessary system changes, update procedures, and train staff.

In addition, two commenters indicated that because SLHCs will be required to file for the first time, the proposed effective date would not provide sufficient time to design and implement the systems to capture the needed data. In response to these concerns, the agencies would postpone the effective date for the revisions to the September 30, 2013, report date. In addition, for SLHCs that would be required to begin submitting the Country Exposure Reports as a result of the proposed expansion in scope of entities that must file these reports, the initial report date would be March 31, 2014.

Two of the banking organizations commented that the inclusion of the U.S. country row would create a significant reporting burden and that guidance for how to properly reconcile the FFIEC 009 to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) should be provided. In addition, the banking association requested the agencies conduct further industry outreach, since the addition of the U.S. country row as a reconciliation tool would not enhance the analysis of cross-border exposures and that existing processes used by its member institutions are sufficient to ensure consistent reporting across regulatory reports.

Although the agencies recognize the additional burden of reporting exposures for the United States, this information will enhance the ability to conduct effective analysis of foreign and domestic exposures. In addition, the inclusion of the United States will allow the United States to comply with enhancements to International Banking Statistics proposed by the Bank for International Settlements. The reconciliation of the FFIEC 009 to the FRY-9C reports is not required; however, it is recommended as a best practice. Therefore, the agencies do not intend to publish any additional guidance regarding reconciliation between these reports. After considering comments received and the outreach conducted prior to the publication of the proposed revisions, the agencies plan to proceed with the addition of the U.S. as a country row.

The banking association also recommended that the year-end due date be postponed five days to provide an opportunity to reconcile data with the FR Y-9C report (for which the year-end due date is currently postponed five days). The agencies plan to postpone the year-end due date by five days to be consistent with the FR Y-9C report and to allow institutions the opportunity for further internal review between reports.

A banking institution and a banking association requested that clarification of definitions and instructions be provided for certain terms, such as the definition of the “household” sector, “country of residence,” “country of legal residence,” and the “country of incorporation.” In addition, the banking association provided thirteen questions requesting reporting clarifications.

The agencies plan to clarify the instructions to provide guidance on the reporting and definitional issues noted, and will supply a “Fact Sheet” outlining reporting clarifications for the questions raised and referencing the updated instructions, as appropriate. The banking association also suggested that the list of countries included on the FFIEC 009 report should be consistent with the Treasury International Capital (“TIC”) reports¹ and the Quarterly Reports of Asset and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502Q; OMB No. 7100-0079). The banking association specifically noted that the list of countries has not been revised since 2006 resulting in inconsistencies and the inclusion of obsolete countries. In addition, the banking association noted that the proposed instructions indicated that the European Central Bank be reported as “Other Europe” on the FFIEC 009, although a separate line for the European Central Bank currently exists on the form. The agencies agree with the suggestion and plan to revise the proposed FFIEC 009 form and instructions to include an up-to-date country listing consistent with the TIC reports, with minor exceptions (the U.S. and Total Foreign Countries as reporting rows)

One banking institution commented that the data needed to report credit default swap (CDS) contracts on a basket, index, or portfolio of securities by component countries is not readily available and would require a significant effort to capture. The institution requested the ability to continue to report by geographic region. Although the agencies understand the effort required to report CDS contracts on a basket, index or portfolio of securities by component country, they believe reporting CDS contracts in this way reflects industry practice related to country risk management and will enhance analysis of the data by the agencies and public. The agencies plan to proceed with the revision as proposed.

A banking institution stated that the elimination of “Net Foreign Office Claims on Local Residents” on the FFIEC 009a will result in them no longer reporting the voluntary local-office claims and liabilities on derivative contracts items on the FFIEC 009 report. After consideration of this comment and the voluntary nature of these data items, the agencies plan to eliminate Columns 6 and 7 of Schedule D.

¹ TIC Form BC, OMB No. 1505-0017; TIC Form BL-1, OMB No. 1505-0019; TIC Form BL-2, OMB No. 1505-0018; TIC Form BQ-1, OMB No. 1505-0016; TIC Form BQ-2, OMB No. 1505-0020; TIC Form BQ-3, OMB No. 1505-0189; TIC Form CQ-1 and CQ-2, OMB No. 1505-0024; TIC Form D, OMB No. 1505-0199; TIC Form S, OMB No. 1505-0001.

Finally, after considering the comment letters received, the agencies decided to modify certain aspects of the proposed revisions, and delay the implementation of the proposed changes until September 30, 2013, for current respondents and until March 31, 2014, for savings and loan holding companies (SLHCs), which are new respondents. On June 19, 2013, the agencies published a notice in the **Federal Register** (78 FR 36823) advising the public of the revisions and delayed implementation, and that the agencies were submitting their requests to OMB for approval of the extension, with revision, of the FFIEC 009 and FFIEC 009a. The agencies again requested public comment. In response, the agencies received two additional comments from the banking industry requesting that implementation for current respondents be further delayed from September 30, 2013, until December 31, 2013. The agencies have considered this request and decided to grant this further extension. The effective date of the proposed changes for SLHC respondents will remain March 31, 2014. The agencies will notify respondents through a letter from the FFIEC, which will also be posted on the FFIEC's Web site.

9. Explanation of Any Payment or Gift to Respondents

There is no payment/gift to respondents.

10. Assurance of Confidentiality Provided to Respondents

The FFIEC 009 information collection is given confidential treatment (5 U.S.C. 552(b)(4) and (b)(8)). The FFIEC 009a information collection is not given confidential treatment.

11. Justification for questions of a sensitive nature

No questions of a sensitive nature.

12. Burden estimate:

Estimated Number of Respondents: 16 (FFIEC 009), 9 (FFIEC 009a).

Estimated Average Time per Response: 131 burden hours (FFIEC 009), 6 burden hours (FFIEC 009a).

Estimated Total Annual Burden: 8,384 burden hours (FFIEC 009), 216 burden hours (FFIEC 009a).

13. Estimates of Other Total Annual Costs to Respondents and/or Recordkeepers

None.

14. Annualized Cost to the Federal Government

None.

15. Explain the reasons for any program changes or adjustments in burden

The proposed revisions to the FFIEC 009 report would increase the number of counterparty categories, add additional information on the type of claim being reported, provide details on a limited number of risk mitigants to help provide perspective to currently reported gross exposure numbers, add more detailed reporting of credit derivatives, add the United States as a country row to facilitate the analysis of domestic and foreign exposures and comply with enhancements to International Banking Statistics proposed by the Bank for International Settlements, and expand the entities that must report to include SLHCs.

16. Information regarding collections whose results are planned to be published for statistical use

Not applicable.

17. Reason(s) Display of OMB Expiration Date is Inappropriate

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification.

B. Collections of Information Employing Statistical Methods

Not applicable.