

**Supporting Statement for the  
Report of Selected Money Market Rates  
(FR 2420; OMB No. 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 mandatory Report of Selected Money Market Rates (FR 2420; OMB No. to be assigned). The FR 2420 would be a transaction-based report that collects daily liability data on federal funds, Eurodollar transactions, and certificates of deposits (CDs) from (1) domestically chartered commercial banks and thrifts that have \$26 billion or more in total assets and (2) U.S. branches and agencies of foreign banks with total third-party assets of \$900 million or more. The FR 2420 data would be used to support a range of functions including the daily implementation of monetary policy and the analysis of broad money market conditions.

The total annual reporting burden for the FR 2420 is estimated to be 45,000 hours. The FR 2420 would be implemented April 1, 2014.

**Background and Justification**

The Federal Reserve seeks to establish the FR 2420 to improve their ability to monitor money markets. Given that the Federal Reserve Bank of New York (FRBNY), on behalf of the Federal Reserve, implements temporary open market operations, at the directive of the Federal Open Market Committee (FOMC), in money markets, having transaction data from these money markets would provide insight into market functioning that has never been available before.

The FR 2420 would collect transaction-level data, including transactions executed through brokers and those transacted directly between counterparties. The new data collection would also include term federal funds transactions. Similarly, for Eurodollars (dollar-denominated liabilities outside the U.S.), the FR 2420 would collect transaction-level detail, including transactions executed directly between counterparties. The FR 2420 would provide rate level information on CDs for a market where that information was not available previously. The CD data would include negotiable and non-negotiable instruments where only negotiable CD information is available currently.

**Description of Information Collection**

The FR 2420 would collect data for three liability types including federal funds, Eurodollars, and CDs, specifically with the amount of each transaction on the report date, the maturity of the transaction, and the interest rate for each transaction. In addition, as CDs may have floating rates, several additional items are being requested to better understand their interest rate structure.

## **Federal Funds (Part A)**

The federal funds transaction data would be the only source of high-frequency data used in the analysis of current market conditions. Data would be reported for federal funds purchased by domestic offices of reporting institutions on the reporting date. For purposes of the FR 2420, “federal funds” would be defined as all unsecured borrowings of U.S. dollars made to the institution’s U.S. offices at the close of business for the report date except:

- Deposits (as defined on Schedule E of the quarterly commercial bank Consolidated Reports of Condition and Income (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) (Call Reports) and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032)),
- Debt instruments (as defined on Schedule B and Schedule D of the Call Reports and the FFIEC 002),
- Repurchase agreements and security lending transactions (as defined on RC, item 14.b on the Call Reports and RAL, item 4.b.2 on the FFIEC 002),
- Equity (as defined on RC, item 28 on the Call Report),
- Currency and coin,
- Overdrafts,
- Affiliate and related party transactions (i.e. intercompany transactions),
- Intraday transactions,
- All forward starting transactions, even when the reporting date is the settlement date, and
- Unsecured borrowings made to the institution’s International Banking Facility (IBF).

## **Eurodollar Transactions (Part B)**

There are many similarities between federal funds and Eurodollars, and the Federal Reserve monitors and analyzes the Eurodollar market concurrent with the coverage of the federal funds market. At this time, Federal Reserve has no source of transaction data from the Eurodollar market, so the transaction data collected in this report would be the main source of Eurodollar data for the Desk at the FRBNY. In addition, many firms can easily switch between these liabilities. Eurodollar data need to be collected to prevent reporting institutions from booking trades as Eurodollars instead of federal funds to avoid the reporting requirement. For purposes of the FR 2420, “Eurodollar transactions” would be defined as all unsecured liabilities at the close of business in U.S. dollars booked at each non-U.S. office whose total assets booked at that office exceed \$2 billion at the close of business for the report date. Excluded from Eurodollar transactions are:

- Demand deposits (as defined on Schedule E of the Call Report) and any deposit placed under sweep agreements or other contractual cash management agreements (as defined in the General Instructions of Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900; OMB No. 7100-0087) instructions),
- Debt instruments (as defined on Schedule B and Schedule D of the Call Report),
- Repurchase agreements and security lending transactions (as defined on RC, Item 14.b on the Call Report),
- Affiliate and related party transactions (i.e. intercompany transactions),

- Overdrafts,
- Intraday transactions,
- Liabilities to individuals,
- Liabilities booked at the institution's IBF, and
- All forward starting transactions, even when the reporting date is the settlement date.

Eurodollar transactions would be collected only from foreign offices of domestic commercial banks and thrifts and not from U.S. branches and agencies of foreign banks.

### **CDs (Part C)**

Data on CD transactions would provide an alternative source of data for the current daily survey of CD rates conducted by the Federal Reserve. These data would also improve market monitoring capabilities because it would provide CD interest rate information that is not currently available. For purposes of the FR 2420, CD transactions would be defined as those CDs that are booked in U.S. offices in U.S. dollars and denominated in amounts of \$1 million or more. Reportable CD transactions would include CDs evidenced by a negotiable or nonnegotiable instrument, or CDs in book entry form evidenced by a receipt or similar acknowledgement issued by the bank. Unlike federal funds and Eurodollars, CDs may have floating rates. For that reason, the FR 2420 would collect additional data fields for reportable CD transactions that would be necessary to understand the interest rate structure over the life of each CD. These data items would be:

***Floating or Fixed Rate.*** Respondents would provide values to indicate if the CD has a floating rate or is a fixed rate.

***Reset Period.*** Respondents would provide a value to describe the frequency from the list below for when the rate for the reported CD can reset:

- No Reset,
- Weekly,
- Monthly,
- Quarterly,
- Semi-annual,
- Annual, or
- Other.

***Reference Rate.*** If the CD has a floating rate, respondents would enter a value to describe the reference rate:

- NA,
- Federal Funds Effective Rate,
- Prime,
- 1 Month U.S. Treasury Constant Maturity Rate,
- 1 Month LIBOR,

- 3 Month LIBOR,
- Overnight Swap Index, or
- Other.

**Negotiability.** Respondents would indicate if the CD is negotiable or non-negotiable.

### Reporting panel

Since federal funds are the key category for this data collection, the FR 2420 reporting panel would be comprised of commercial banks, thrifts, and branches and agencies of foreign banks. Commercial banks and thrifts with \$26 billion or more in total assets on the September 30 Call Report each year would be required to submit the FR 2420 daily for the following year. This threshold would currently capture the 50 largest depository institutions which would provide sufficient coverage to have a statistically representative sample. U.S. branches and agencies of foreign banks would be required to report daily, if third-party assets are \$900 million or more on the September 30 FFIEC 002. This threshold would currently capture the 105 largest U.S. branches and agencies of foreign banks.

The combined reporter panel would capture 155 banking institutions and would be based on definitions that would cap the panel size at the point of significantly reduced marginal benefits. Using the total federal funds purchased data on the September 30, 2012, Call Report, the combined panel of 155 banking institutions is expected to capture over 80 percent of federal funds outstanding. This would create a relatively small aggregate panel, minimizing the number of institutions that would be subject to the reporting burden, yet would be expected to capture a significant portion of the targeted transaction volume.

### Percent of Total Federal Funds Purchased as Reported on September 30, 2012, Call Report When the Largest Banks, by Asset Size, Are Required to Report<sup>1</sup>

Panel Size	Domestically Chartered Commercial Banks and Thrifts	U.S. Branches and Agencies of Foreign Banks
50	54%	22%
100	57%	28%
150	61%	28%
200	66%	29%

### Frequency

The FR 2420 report would be submitted daily. Data collected would be used by FRBNY daily as part of the market monitoring responsibilities. Part of that analysis would be calculating average rates across products and tenors, and following trends in the aggregate levels of transactions. In order to calculate timely effective rates, daily data are needed.

<sup>1</sup> Sources: Federal funds purchased from the September 30, 2012, Call Reports; domestic bank asset size from the September 30, 2012, Consolidated Financial Statements for Holding Companies (FR Y-9C) (OMB No. 7100-0128); and foreign bank asset size from the September 30, 2012, FFIEC 002. The FR Y-9C was used to eliminate transactions between affiliated entities.

## **Time Schedule for Information Collection**

The FR 2420 is a mandatory electronic report. Respondents would be required to file the FR 2420 with the FRBNY for each business day as follows: (1) Federal Funds, Part A, would be due by 7 a.m. ET one business day after the report date, (2) Eurodollars, Part B, would be due by 7 a.m. ET one business day after the report date, and (3) CDs, Part C, would be due by 2 p.m. ET two business days after the report date.

## **Legal Status**

The Board's Legal Division has determined that the mandatory FR 2420 is authorized by sections 9 and 11 of the Federal Reserve Act (12 U.S.C. §§ 324 and 248(a)) and by section 7(c)(2) of the International Banking Act (12 U.S.C. § 3105(c)(2)). Individual respondent data are regarded as confidential under the Freedom of Information Act (5 U.S.C. § 552(b)(4)).

## **Consultation Outside the Agency and Discussion of Public Comments**

One trade group (the Clearing House) and several key market participants were consulted concerning the data availability and data definitions during the beginning of the design process for the FR 2420. Their comments were considered and incorporated into the proposal. On June 28, 2013, the Federal Reserve published an initial notice in the *Federal Register* (78 FR 38976) requesting public comment for 60 days on the implementation of the FR 2420. The comment period for this notice expired on August 27, 2013. The Federal Reserve received six comment letters on the proposed implementation of the FR 2420: one from several trade organizations, two from commercial banks, and three from U.S. branches and agencies of foreign banks. The comments are summarized and addressed below.

**Duplicative Data.** One U.S. agency of a foreign bank expressed concern that foreign banking organizations already provide the Federal Reserve with daily transaction level detail on all short-term financing transactions through a liquidity collection submitted to the Federal Reserve Bank of New York (4G templates). This commenter suggested avoiding unnecessary burden by sharing data among the different disciplines within the Federal Reserve System. The Federal Reserve compared these data collections and determined that there is no meaningful overlap or duplicative data between the proposed FR 2420 and the 4G templates or the Liquidity Monitoring Reports (FR 2052a; OMB No.7100-to be assigned), which have been proposed to replace the 4G templates.

The trade organizations stated that the 4G templates require daily submissions of similar data by certain large banks, but such submissions are made on a two-day lag, which allows reporting banks to ensure the accuracy of the data submitted. Since the 4G templates already collect (from certain large banks) amount and maturity information related to federal funds, Eurodollars, and Wholesale CDs, the trade organization strongly recommended making slight enhancements to the 4G templates, rather than requiring reporting entities to develop an entirely new reporting system to capture essentially the same information. These data collections have different data elements and are collected for different purposes—money market monitoring versus banking supervision. Moreover, the panel for the FR 2420 is a larger respondent panel

than the panel for the 4G templates. Consequently, the Federal Reserve believes the 4G templates could not be revised effectively to meet the FR 2420 needs.

**Burden Estimates.** One U.S. agency of a foreign bank noted that reporting would take 1 hour each day to prepare each day's data, not 0.825 hour as estimated in the FR 2420 proposal. The Federal Reserve reviewed the burden estimates and will revise the estimate to reflect this feedback.

**Submission Deadline.** Most commenters noted the 7:00 a.m. ET deadline would be difficult to meet and requested the Board consider a later deadline and a two-day lag. After considering these comments, the Federal Reserve determined that federal funds and Eurodollar data are needed by 7 a.m. each business day for the preceding day's reportable transactions to support the implementation of monetary policy and daily market monitoring and thus will retain those deadlines. However, upon further investigation, the Federal Reserve will extend the CD section deadline to a two day lag with a submission deadline of 2 p.m.

**Implementation Date.** Several commenters noted that additional time would be needed to implement and validate data as well as update their systems. The Federal Reserve recognizes challenges associated with implementing the FR 2420. To provide the necessary lead time, the implementation date would be extended to April 1, 2014. However, with this extension, the transition periods outlined in the initial proposal regarding the submission deadline times would be eliminated.

**Certificates of Deposit.** One commercial bank requested that the Federal Reserve consider an exemption on CDs since the rates rarely change from one day to the next. Another commercial bank requested that the threshold be raised to \$1 million. To reduce reporting burden, therefore, the Federal Reserve will raise the threshold on all CDs to \$1 million; however, there will not be a minimum threshold for the amounts reported on the federal funds and Eurodollar transactions.

The trade organization requested that derivative 'market-linked' CDs be excluded from the report since (1) the actual embedded floating rate may not be easily obtained, (2) calculating such information would require significant changes to systems, and (3) these CDs are only a small subset of reported CDs. Since, as commenters noted, these CDs represent a small amount of reported CDs and excluding them would reduce reporting burden, the Federal Reserve will exclude derivative 'market-linked' CDs from the report.

**Newly-Acquired Businesses.** The trade organization noted that it was not clear how an institution incorporates a new filer into the proposal's reporting requirements. Also, the trade organization requested that the final proposal include a 12-month transition period for all newly-acquired lines of business before such new acquisitions are required to be included in the FR 2420. The Federal Reserve will consider these types of requests on a case-by-case basis. However, the Federal Reserve believes that data from mergers and acquisitions should be incorporated into the purchaser's reported data effective on the date of the acquisition.

On December 16, 2013, the Federal Reserve published a final notice in the *Federal*

Register (78 FR 76144).

### Estimate of Respondent Burden

As presented in the table below, the annual reporting burden for the FR 2420 is estimated to be 45,000 hours. The hourly estimate for commercial banks and thrifts is higher than the hourly estimate for U.S. branches and agencies of foreign banks since Part B would not be reported by branches and agencies. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

<b>FR 2420</b>	<i>Number of respondents<sup>2</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Commercial banks and thrifts	50	250	1.5	18,750
U.S. branches and agencies of foreign banks	105	250	1.0	<u>26,250</u>
<i>Total</i>				45,000

The total cost to the public is estimated to be \$2,245,500.<sup>3</sup>

### Sensitive Questions

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

### Estimate of Cost to the Federal Reserve System

The proposed cost to the Federal Reserve System for collecting and processing the FR 2420 is estimated to be \$58,600 per year. The one-time cost to implement the report is estimated to be \$639,800.

<sup>2</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with \$500 million or less in total assets) [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards).

<sup>3</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 at \$18, 45% Financial Managers at \$59, 15% Lawyers at \$63, and 10% Chief Executives at \$85). Hourly rate for each occupational group are the (rounded) *mean* hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, [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/).