

**Supporting Statement for
Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies
(FR Y-11, FR Y-11S; OMB No. 7100-0244) and
Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations
(FR 2314, FR 2314S; OMB No. 7100-0073)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the following mandatory reports, for implementation in December 2013:

- (1) the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11; OMB No. 7100-0244),
- (2) the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11S; OMB No. 7100-0244),
- (3) the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; OMB No. 7100-0073), and
- (4) the Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S; OMB No. 7100-0073).

The FR Y-11 reporting forms collect financial information for individual non-functionally regulated U.S. nonbank subsidiaries of domestic holding companies (i.e., bank holding companies, savings and loan holding companies, and securities holding companies). Holding companies file the FR Y-11 on a quarterly or annual basis or the FR Y-11S annually predominantly based on asset size thresholds, and for the FR Y-11S, based on an additional threshold related to the percentage of consolidated assets of the top-tier organization. The FR Y-11 data are used with other holding company data to assess the condition of holding companies that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations. The FR 2314 reporting forms collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks (SMBs), Edge and agreement corporations, and holding companies (i.e., bank holding companies, savings and loan holding companies, and securities holding companies). Parent organizations (SMBs, Edge and agreement corporations, or holding companies) file the FR 2314 on a quarterly or annual basis or the FR 2314S annually based predominantly on asset size thresholds, and for the FR 2314S, based on an additional threshold related to the percentage of consolidated assets of the top-tier organization. The FR 2314 data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

The Federal Reserve proposes to increase the asset size thresholds for filing the annual FR Y-11, FR Y-11S, FR 2314, and FR 2314S and to eliminate the threshold based on the percentage of consolidated assets of the top-tier organization for the FR Y-11S and FR 2314S, in order to reduce reporting burden. The Federal Reserve also proposes to clarify when FR Y-11

(quarterly/annually), FR Y-11S, FR 2314 (quarterly/annually), and FR 2314S reports must be filed if a subsidiary is divested or liquidated.

The current annual burden for the FR Y-11 reports and the FR 2314 reports is estimated to be 15,066 and 18,951 hours, respectively. The proposed revisions would reduce the total annual burden by 4,951 hours.

Background and Justification

The FR Y-11 family of reports collects financial information for individual U.S. nonbank subsidiaries of domestic holding companies, which is essential for monitoring the subsidiaries' potential impact on the holding company or its subsidiary banks' condition. Consolidated and parent company only data do not reveal the extent of the problems that may exist within the nonbank subsidiaries because the size and operations of bank subsidiaries can mask the operations of nonbank subsidiaries in a consolidated report.

In addition to providing information used in the supervision of holding companies, the FR Y-11 family of reports provides essential information to assist the Board in the formulation of regulations and supervisory policies. The data are also used by the Federal Reserve Board to respond to requests from Congress and the public for information on holding companies.

The FR 2314 family of reports is the only source of comprehensive and systematic data on the assets, liabilities, and earnings of foreign subsidiaries of U.S. banking organizations and the data are used to monitor the growth, profitability, and activities of these foreign companies. The data help the Federal Reserve identify present and potential problems of these companies, monitor their activities in specific countries, and develop a better understanding of activities within the industry and within specific institutions. This information, coupled with information from the Foreign Branch Reports of Condition (FFIEC 030; OMB No. 7100-0071), provides a picture of the breadth and scope of international banking operations for U.S. banking organizations both individually and in the aggregate.

Description of the Information Collection

Current FR Y-11 and FR Y-11S

Domestic holding companies file the FR Y-11 reports for their U.S. nonbank subsidiaries. The FR Y-11 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. The FR Y-11 is filed quarterly, as of the last calendar day of March, June, September, and December, by top-tier holding companies for each individual nonbank subsidiary that it owns or controls, if the top-tier holding company files the FR Y-9C and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier holding company's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier holding company's consolidated operating revenue. The FR Y-11 is filed annually,

as of December 31, by top-tier holding companies for each individual nonbank subsidiary (that does not meet the criteria for filing quarterly) with total assets of at least \$250 million, but less than \$1 billion.

The FR Y-11S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-11S is filed annually, as of December 31, by top-tier holding companies for each individual nonbank subsidiary (that does not meet the criteria for filing the detailed report) with total assets of at least \$50 million, but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

Current FR 2314 and FR 2314S

The FR 2314 reports collect financial information for direct or indirect foreign subsidiaries of U.S. SMBs, Edge and agreement corporations, and holding companies. The FR 2314 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. A parent U.S. banking organization must file the FR 2314 quarterly, as of the last calendar day of March, June, September, and December, for its subsidiary if the subsidiary is owned or controlled by a parent U.S. holding company that files the FR Y-9C or a SMB or an Edge or agreement corporation that has total consolidated assets equal to or greater than \$500 million and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier organization's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier organization's consolidated operating revenue. The FR 2314 is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing quarterly) with total assets of at least \$250 million, but less than \$1 billion.

The FR 2314S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR 2314S is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing the detailed report) with assets of at least \$50 million but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

Proposed Revisions to the FR Y-11, FR Y-11S, FR 2314, and FR 2314S

In response to comments from the banking and financial industry, the Federal Reserve proposes to reduce reporting burden by increasing the asset size thresholds for filing the FR Y-11 and FR Y-2314 annual reports. Specifically, the Federal Reserve proposes to raise the asset size threshold for the annual FR Y-11 and FR 2314 to total assets greater than or equal to \$500 million, but less than \$1 billion. The Federal Reserve also proposes to increase the asset size thresholds for filing the FR Y-11S and FR 2314S annual reports. Specifically, the Federal Reserve proposes to raise the asset size threshold for the annual FR Y-11S and FR 2314S to total assets of at least \$250 million, but less than \$500 million, and to eliminate the additional threshold that requires entities with total assets greater than 1 percent of the total consolidated

assets of the top-tier organization to file the reports. The Federal Reserve does not propose any change to the criteria for quarterly reporting.

The Federal Reserve also proposes to clarify when an FR Y-11 (quarterly/annual), FR Y-11S, FR 2314 (quarterly/annual), and FR 2314S report is required to be filed if the subsidiary has been divested or liquidated. Currently, an exemption from reporting is provided to subsidiaries that were divested or liquidated during the year, unless a subsidiary was divested or liquidated after the close of business on the report date for which the report is being filed. The Federal Reserve proposes to retain the exemption, but change the reporting condition to require a report from a subsidiary that is part of the organization's structure as of the close of business on the submission date (i.e., 60 calendar days after the report date) rather than on the report date.

Further revision is not warranted at this time given the financial regulatory reform mandate to supervise and examine nonbank subsidiaries. The nonbank subsidiary reports are the only sources of information available for individual nonbank subsidiaries that significantly contribute to the consolidated operations of a U.S. holding company or banking organization.

Frequency

There are no changes to the reporting frequency of the FR Y-11 reports and FR 2314 reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

Time Schedule for Information Collection and Publication

The FR Y-11 and FR 2314 quarterly reports are submitted within 60 days after the report date. Meeting the thresholds for filing quarterly is self-determined by the respondent and ascertained as of the reporting date. The FR Y-11, FR Y-11S, FR 2314, and FR 2314S annual reports are also submitted within 60 days after the report date. The data from the FR Y-11, FR Y-11S, FR 2314, and FR 2314S that are not given confidential treatment are available to the public, but are not published routinely.

Legal Status

The Board's Legal Division has determined that the FR Y-11 reports are authorized by Section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)). The Board's Legal Division has determined that the FR 2314 reports are authorized under (12 U.S.C. §§ 324, 602, 625, 1844(c)). Overall, the Board does not consider these data to be confidential. However, a respondent may request confidential treatment pursuant to sections (b)(4), (b)(6), and (b)(8) of the Freedom of Information Act (5 U.S.C. §§ 552(b)(4), (b)(6), (b)(8)). The applicability of these exemptions would need to be determined on a case-by-case basis.

Consultation Outside the Agency

On December 11, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 75346) requesting public comment for 60 days on the proposal to renew, with revision, the FR Y-11, FR Y-11S, FR 2314, and FR 2314S. The comment period for this notice expired on February 10, 2014. The Federal Reserve received one letter of support from a holding company. On February 21, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 9900).

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimates of Respondent Burden

As shown in the following table, the current annual reporting burden for the FR Y-11 and FR 2314 reports is estimated to be 15,066 hours and 18,951 hours, respectively. Under the proposed FR Y-11 reporting criteria, 255 current nonbank subsidiaries would no longer be required to file the annual FR Y-11 and would instead file the annual FR Y-11S. In addition, 827 (i.e., all) of the nonbank subsidiaries currently filing the annual FR Y-11S would be exempt from filing. The proposed revisions would result in 203 annual FR Y-11 filers and 255 annual FR Y-11S filers. Under the proposed FR 2314 reporting criteria, 308 current nonbank subsidiaries would no longer be required to file the annual FR 2314 and would instead file the annual FR 2314S. In addition, 920 (i.e., all) of the nonbank subsidiaries currently filing the annual FR 2314S would be exempt from filing. The proposed revisions would result in 220 annual FR 2314S and 308 annual FR 2314S filers.¹

The proposed revisions would result in a decrease in burden of 2,306 hours for the FR Y-11 reports and 2,645 hours for the FR 2314 reports. The reporting requirements for the FR Y-11, FR Y-11S, FR 2314, and FR 2314S reports represent less than 1 percent of total Federal Reserve System annual burden.

¹ All respondent counts based on data reported as of December 31, 2012.

	<i>Number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR Y-11 (quarterly)	409	4	6.8	11,125
FR Y-11 (annual)	458	1	6.8	3,114
FR Y-11S	<u>827</u>	1	1.0	<u>827</u>
<i>Total</i>	1,694			15,066
<i>Proposed</i>				
FR Y-11 (quarterly)	409	4	6.8	11,125
FR Y-11 (annual)	203	1	6.8	1,380
FR Y-11S	<u>255</u>	1	1.0	<u>255</u>
<i>Total</i>	867			12,760
<i>Difference</i>				(2,306)
<i>Current</i>				
FR 2314(quarterly)	551	4	6.6	14,546
FR 2314 (annual)	528	1	6.6	3,485
FR 2314S	<u>920</u>	1	1.0	<u>920</u>
<i>Total</i>	1,999			18,951
<i>Proposed</i>				
FR 2314(quarterly)	551	4	6.6	14,546
FR 2314 (annual)	220	1	6.6	1,452
FR 2314S	<u>308</u>	1	1.0	<u>308</u>
<i>Total</i>	1,079			16,306
<i>Difference</i>				(2,645)

The total annual cost to the public of the FR Y-11 reports is estimated to be \$751,793 and would decrease to \$636,724. The total annual cost to the public of the FR 2314 reports is estimated to be \$945,655 and would decrease to \$813,669.³

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for collecting and processing the FR Y-11 reports is estimated to be \$231,690 per year and the cost for collecting and processing the FR 2314

² Of the respondents required to comply with this information collection, 255 FR Y-11S and 308 FR 2314S respondents are small entities as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

³ 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. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

reports is estimated to be \$ \$123,177 per year. The one-time cost to implement the revised FR Y-11/S reports is estimated to be \$10,051. The one-time cost to implement the revised FR 2314/S reports is estimated to be \$11,481.