

**Supporting Statement for the  
Consolidated Report of Condition and  
Income for Edge and Agreement Corporations  
(FR 2886b; OMB No. 7100-0086)**

## **Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, without revision, the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b; OMB No. 7100-0086). This reporting form is filed quarterly by banking Edge and agreement corporations<sup>1</sup> and investment (nonbanking) Edge and agreement corporations. The mandatory FR 2886b comprises a balance sheet, income statement, two schedules reconciling changes in capital and reserve accounts, and 11 supporting schedules. The reporting form parallels the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) that commercial banks file and the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) filed by large holding companies (HCs). Except for examination reports, it provides the only financial data available for these corporations.

The Federal Reserve is solely responsible for authorizing, supervising, and assigning ratings to Edge and agreement corporations. The Federal Reserve uses the data collected on the FR 2886b to identify present and potential problems and monitor and develop a better understanding of activities within the industry. Most Edge corporations are wholly owned by U.S. banks or HCs and are consolidated into the financial statements of their parent organizations. However, eight banking Edge corporations are owned by foreign banks or nonbanking organizations. The total current annual burden for the FR 2886b is estimated to be 1,668 hours.

## **Background and Justification**

The Federal Reserve has the sole supervisory and regulatory authority over all Edge and agreement corporations, under Sections 25 and 25A of the Federal Reserve Act, regardless of whether they are owned by U.S. banking organizations, foreign banks, or nonbank companies. Edge and agreement corporations have been operating since 1919 and during most of that time have been required to provide some type of financial information to the Federal Reserve.

The immediate predecessor report, the FR 886b, was developed in 1972. Since that time, the report has undergone numerous revisions. In 1990 the requirement for quarterly reporting of income and balance sheet information by banking Edge and agreement corporations was extended to investment Edge and agreement corporations as well. This increase in reporting activity by investment Edge and agreement corporations was prompted by significant growth in investment corporations and the resulting increase in risk exposure. In 2009, the reporting frequency was reduced to annual for Edge and agreement corporations with total assets of \$50 million or less.

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1 Regulation K defines an Edge corporation as being engaged in banking if it accepts deposits in the U.S. from nonaffiliated parties as an ordinary part of its business.

The Federal Reserve uses the data for several purposes. Information collected on the FR 2886b is used to help plan and target the scope of examinations of Edge and agreement corporations and in the evaluation of applications. Data from the FR 2886b are also used to monitor aggregate institutional trends, such as growth in assets and the number of offices, changes in leverage, and the types and locations of customers.

As domestic deposit-taking institutions, banking Edge and agreement corporations conduct activities that affect the nation's money supply even though they are treated as foreign offices for most reporting purposes. The Federal Reserve uses the FR 2886b data, in conjunction with data from the Call Report, in the construction of the monetary aggregates and aggregate statistics on bank credit, nondeposit funds, and assets and liabilities of commercial banks.<sup>2</sup> In addition, the Federal Reserve uses the data in the construction of the flow of funds accounts and in the compilation of structure data on foreign bank activity.

## **Description of Information Collection**

The FR 2886b comprises a balance sheet, income statement, two schedules reconciling changes in capital and reserve accounts, and 11 supporting schedules. This information is collected from all Edge and agreement corporations, although investment Edges file only four of the 11 supporting schedules: Trading Assets and Liabilities; Derivatives and Off-Balance-Sheet Items; Claims on and Liabilities to Related Organizations; and Past Due and Nonaccrual Loans, Leases, and Other Assets.

## **Frequency**

There are no changes to the reporting frequency of the FR 2886b. 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**

Edge and agreement corporations with assets of more than \$50 million file quarterly as of the last calendar day of March, June, September and December. Edge and agreement corporations with assets of \$50 million or less file annually as of December 31<sup>st</sup>. Banking Edge corporations and investment Edge corporations file the FR 2886b within 30 days of the as-of date. If necessary, a respondent is permitted to take an additional 15 calendar days to submit its completed report without request. All data are submitted to the Federal Reserve Bank District in which the reporter is domiciled. The Federal Reserve Banks then transmit the data to the Federal Reserve Board on a flow basis. All Edge corporation data are transmitted to the Federal Reserve Board by the 55th calendar day following the as-of date.

Data from this report are included in three Federal Reserve Board statistical releases: the weekly H.6 release, "Money Stock Measures," the weekly H.8 release, "Assets and Liabilities of Commercial Banks in the United States," and the quarterly Z.1 release, "Flow of Funds Accounts

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<sup>2</sup> Data from the FR 2886b are interpolated between quarterly reports to estimate higher frequency data. For dates following the latest quarterly report, values for data items are repeated until the next quarterly report becomes available.

of the United States." These statistical releases are available on the Federal Reserve Board's public web site: <http://www.federalreserve.gov/publications.htm>.

## **Legal Status**

The Board's Legal Division has determined that Sections 25 and 25A of the Federal Reserve Act authorize the Federal Reserve to require the FR 2886b (12 U.S.C. §§ 602, 625). In addition, with respect to the contact information collected in the Patriot Act Contact Information section, the Board's regulation's (12 CFR Part 211.5(m)) instruct Edge and agreement corporations to comply with the information sharing regulations that the Department of the Treasury issued pursuant to Section 314(a) of the USA Patriot Act of 2001, Pub L 107-56, 115 Stat. 307 (31 U.S.C. § 5318(h)); and implemented at 31 CFR Part 1010.520(b).

For Edge corporations engaged in banking, current Schedules RC-M (with the exception of item 3) and RC-V are held confidential pursuant to Section (b)(4) of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)). For investment Edge corporations, only information collected on Schedule RC-M (with the exception of item 3) are given confidential treatment pursuant to Section (b)(4) of the Freedom of Information Act (5 U.S.C. § 552(b)(4)). In addition, it appears that the information provided in the Patriot Act Contact Information section may be withheld as confidential under FOIA to prevent unauthorized individuals from falsely posing as an institution's point-of-contact in order to gain access to the highly sensitive and confidential communications sent by e-mail between the Financial Crimes Enforcement Network or federal law enforcement officials and the Patriot Act point-of-contact. The identity and contact information of private individuals, which is collected and maintained for law enforcement purposes under the Patriot Act, appears exempt from disclosure pursuant to exemption 7(C) of FOIA (5 § USC 552(b)(7)).

Lastly, the Emergency Contact information section is afforded confidential treatment; however, no explanation has been provided as to why such information should be considered exempt from disclosure under FOIA. Accordingly, the language indicating the Emergency Contact information will not be released to the public will be removed.

## **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 extend, without revision, the FR 2886b. The comment period for this notice expired on February 10, 2014. The Federal Reserve did not receive any comments. On February 21, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 9900).

## **Sensitive Questions**

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

## Estimates of Respondent Burden

As shown in the following table, the current annual burden for the FR 2886b is estimated to be 1,668 hours. The FR 2886b respondent panel is comprised of 49 Edge and agreement corporations: 8 banking corporations (deposit taking institutions) and 41 investment corporations. The estimated reporting burden is lower for investment Edges, which file only 4 supporting schedules, than for banking Edges, which file all 11 supporting schedules. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>3</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden</i>
<b>Banking:</b>				
Edge and agreement corporations (quarterly)	7	4	15.15	424
Edge and agreement corporations (annual)	1	1	15.15	15
<b>Investment:</b>				
Edge and agreement corporations (quarterly)	29	4	9.60	1,114
Edge and agreement corporations (annual)	<u>12</u>	1	9.60	<u>115</u>
<i>Total</i>	<i>49</i>			<i>1,668</i>

The total annual cost to the public is estimated be \$83,233.<sup>4</sup>

<sup>3</sup> Of the respondents required to comply with this information collection, 22 are small entities as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

<sup>4</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/)

## **Estimated Cost to the Federal Reserve System**

The cost to the Federal Reserve System for collecting and processing the FR 2886b report is estimated to be \$80,486 per year.