

**Supporting Statement for the  
Reports of Foreign Banking Organizations  
(FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

**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 Held by Foreign Banking Organizations<sup>1</sup> (FR Y-7N; OMB No. 7100-0125), and
- (2) the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7NS; OMB No. 7100-0125).

The Federal Reserve also proposes to extend, without revision, the Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q; OMB No. 7100-0125).

The FR Y-7N and FR Y-7NS collect financial information for non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company (BHC), U.S. financial holding company (FHC), or U.S. bank. FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually predominantly based on asset size thresholds. The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually. FBOs that have effectively elected to become FHCs file the FR Y-7Q quarterly, and effective March 31, 2014, FBOs with total consolidated worldwide assets of \$50 billion or more will file the FR Y-7Q quarterly. All other FBOs file the FR Y-7Q annually.

The Federal Reserve proposes to increase the asset thresholds for filing the annual FR-7N and FRY-7NS to reduce reporting burden. The total current annual burden for the FR Y-7N reports is estimated to be 7,225 hours. The proposed revisions would reduce the annual burden by 786 hours.

**Background and Justification**

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled a U.S. subsidiary bank to file. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

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<sup>1</sup> Excludes nonbanking subsidiaries held through a U.S. bank holding company or U.S. bank subsidiary.

Given these statutory responsibilities, the Federal Reserve issued two policy statements (one on February 23, 1979, and the other on July 20, 1979) on the supervision of FBOs that control a U.S. subsidiary bank. They stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parent's ability to continue to serve as a source of strength for their U.S. operations. In 1980, as part of its implementation of those policy statements, the Federal Reserve issued a revised FR Y-7 form setting forth annual reporting requirements for FBOs engaged in banking in the United States.

In 2002, the Federal Reserve revised the FR Y-7 and implemented the FR Y-7Q, FR Y-7N, and FR Y-7NS. Revisions to the FR Y-7 included: moving the risk-based capital reporting requirement to the FR Y-7Q and moving the Nonbank Financial Information Summary (NFIS) report, which included data from U.S. nonbank subsidiaries held directly by a foreign parent (i.e., not through a U.S. BHC or U.S. FHC or U.S. bank), to the FR Y-7N or FR Y-7NS.

In August 2013, the Federal Reserve revised the FR Y-7Q through a final rule<sup>2</sup> to modify the quarterly filing requirements, and to add an item to the reporting form. Prior to this time, only FBOs that had effectively elected to become FHCs filed the FR Y-7Q quarterly. The panel was modified to also require all FBOs with total consolidated worldwide assets of \$50 billion or more to begin filing quarterly. An item was added to Part 1 to collect the top-tier FBO's total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies.

The Federal Reserve System uses information collected on this family of reports to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

## **Description of the Information Collection**

### **Current FR Y-7N and FR Y-7NS**

The FR Y-7N consists of an income statement and a balance sheet, schedules that collect information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries. Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of at least \$5 billion, as of the end of a quarter. FBOs commence quarterly reporting for these subsidiaries at the end of the quarter in which the subsidiaries meet the significance threshold. The FR Y-7N is filed annually, as of December 31, 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-7NS is an abbreviated reporting form that collects net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-7NS is filed annually, as of December 31, by top-tier FBOs for each individual nonbank subsidiary (that does not meet the

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<sup>2</sup> See 78 Federal Register 52391 – 52405.

filing criteria for filing the detailed report) with total assets of at least \$50 million, but less than \$250 million.

### **Proposed Revisions to the FR Y-7N and FR Y-7NS**

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-7N and FR Y-7NS annual reports. Specifically, the Federal Reserve proposes to raise the asset size threshold for the annual FR Y-7N 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-7NS annual report. Specifically, The Federal Reserve proposes to raise the reporting threshold for the FR Y-7NS to total assets of at least \$250 million, but less than \$500 million. The Federal Reserve does not propose any change to the criteria for quarterly reporting.

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 source of information available for individual U.S. nonbank subsidiaries that significantly contribute to the consolidated operations of an FBO.

### **Current FR Y-7Q**

The FR Y-7Q collects consolidated capital and asset information from all FBOs. FBOs that have not elected to become FHCs report capital and asset information for the top-tier FBO on the FR Y-7Q reporting form annually.<sup>3</sup> FBOs that have been granted FHC status file the FR Y-7Q quarterly. The reporting form collects tier 1 capital, total risk-based capital, risk-weighted assets, and total assets. In addition, FBOs that file the FR Y-7Q because of the FHC designation also must provide separate capital schedules for each lower-tier FBO operating a branch, agency, Edge or agreement corporation, or commercial lending company in the United States.

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<sup>3</sup> Effective March 31, 2014, FBOs with total consolidated worldwide assets of \$50 billion or more will file the FR Y-7Q quarterly.

## **Frequency**

There are no changes to the reporting frequency of the FR Y-7N/NS and FR Y-7Q. 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**

FBOs are required to file the FR Y-7N (quarterly/annually) and FR Y-7NS reports 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. All FBOs are required to file the FR Y-7Q within 90 days after the report date. No changes to these filing schedules are recommended. The data from these reports 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-7N, FR Y-7NS, and FR Y-7Q reports are authorized by Section 5(c) of the Bank Holding Company Act [12 U.S.C. 1844(c)] and sections 8(c) and 13 of the International Banking Act [12 U.S.C. 3106(c) and 3108]. The Board's Legal Division also determined that the data are not considered confidential. However, individual respondents may request confidential treatment for any of these reports pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)]. 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-7N and FR Y-7NS. The comment period for this notice expired on February 10, 2014. The Federal Reserve did not receive any comments. The revisions will be implemented as proposed. On February 21, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 9900).

## **Sensitive Questions**

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

## **Estimate of Respondent Burden**

As shown in the following table, the current annual reporting burden for this family of reports is estimated to be 7,225 hours. Under the proposed FR Y-7N reporting criteria, 93 current nonbank subsidiaries would no longer be required to file the annual FR Y-7N and would instead file the FR Y-7NS. In addition, 247 (i.e., all) of the nonbank subsidiaries currently filing the FR Y-7NS would be exempt from filing. The proposed revisions would result in 97 annual FR Y-7N filers and 93 annual FR Y-7NS filers. The proposed revisions to the annual FR Y-7N and FR

Y-7NS would result in a decrease in burden of 786 hours. The reporting requirements for the FR Y-7 family of reports represent less than 1 percent of total Federal Reserve System annual burden.

	<i>Number of respondents<sup>4</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR Y-7N (quarterly)	183	4	6.8	4,978
FR Y-7N (annual)	190	1	6.8	1,292
FR Y-7NS	247	1	1	247
FR Y-7Q (quarterly)	109	4	1.50	654
FR Y-7Q (annual)	<u>43</u>	1	1.25	<u>54</u>
<i>Total</i>	<i>772</i>			<i>7,225</i>
<i>Proposed</i>				
FR 7N (quarterly)	183	4	6.8	4,978
FR Y-7N (annual)	97	1	6.8	660
FR Y-7 NS	93	1	1	93
FR Y-7Q (quarterly)	109	4	1.50	654
FR Y-7Q (annual)	<u>43</u>	1	1.25	<u>54</u>
<i>Total</i>	<i>525</i>			<i>6,439</i>
<i>Difference</i>				<i>(786)</i>

The total annual cost to the public is estimated to be to \$360,528 and would decrease to \$321,306.<sup>5</sup>

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

The cost to the Federal Reserve System for collecting and processing the FR Y-7N/NS/Q reports is estimated to be \$183,547 per year. The one-time cost to implement the revised FR Y-7N/NS/Q reports is estimated to be \$6,989.

<sup>4</sup> Of the respondents required to comply with this information collection, 182 are small entities (12 quarterly FR Y-7N, 19 annual FR Y-7N, 85 FR Y-7NS, 23 quarterly FR Y-7Q, and 98 annual FR Y-7Q) as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

<sup>5</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 @ \$18, 45% Financial Managers @ \$59, 15% Legal Counsel @ \$63, and 10% Chief Executives @ \$85). 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/)