

**Supporting Statement for the
Bank Holding Company Report of Insured Depository Institutions' Section 23A
Transactions with Affiliates (FR Y-8; OMB No. 7100-0126)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the quarterly Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8; OMB No. 7100-0126). This reporting form collects information on transactions between an insured depository institution and its affiliates that are subject to section 23A of the Federal Reserve Act. The FR Y-8 is filed quarterly by all top-tier bank holding companies (BHCs), including financial holding companies (FHCs) and savings and loan holding companies (SLHCs), for all insured depository institutions that are owned by the BHC and by foreign banking organizations (FBOs) that directly own a U.S. subsidiary bank. The FR Y-8 reporting form comprises a cover page, declaration page, and two pages collecting data on covered transactions and derivatives.

The primary purpose of the data is to enhance the Federal Reserve's ability to monitor insured depository institutions' exposures to affiliates and to ensure insured depository institutions' compliance with section 23A of the Federal Reserve Act. Section 23A of the Federal Reserve Act is one of the most important statutes on limiting exposures to individual institutions and protecting against the expansion of the federal safety net.

The Federal Reserve anticipates revising the FR Y-8 reporting form and instructions in 2015 as part of the rulemaking process for Regulation W, Transactions between Member Banks and their Affiliates (OMB No. 7100-0304). Regulation W, which implements sections 23A and 23B of the Federal Reserve Act, will be revised to incorporate amendments as required by section 608 of the Dodd-Frank Act, (Enhancing Existing Restrictions in Bank Transactions with Affiliates). The total current annual burden for the FR Y-8 is estimated to be 47,422 hours.

Background and Justification

The Federal Reserve implemented the FR Y-8 in March 1975 to monitor transactions between subsidiary depository institutions, the parent BHC, and other affiliates of the BHC. Over the years the reporting panel and data items were revised to reflect changing data needs. In 2000, the reporting form and instructions were completely revised to enhance the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act. BHCs were required to file the information separately for each of their insured depository institutions. In addition, FBOs that directly own U.S. subsidiary banks were added to the reporting panel. In March 2013, the reporting panel was revised to include SLHCs.

Section 23A of the Federal Reserve Act is one of the most important statutes protecting against the expansion of the federal safety net (that is, lower cost insured deposits, the payment system, and the discount window) by limiting exposures of insured depository institutions to

affiliates. The Gramm-Leach-Bliley Act of 1999 elevated the importance of section 23A and the need to collect information to monitor insured depository institution exposures to affiliates. FR Y-8 data are necessary to monitor compliance with section 23A of the Federal Reserve Act.

The required information on derivative transactions between insured depository institutions and their affiliates enables supervisory staff to better monitor trends in intercompany derivative transactions on an aggregate basis. This information, coupled with enhanced on-site supervision of derivative transactions between insured depository institutions and their affiliates at large banking organizations, aid the Board in evaluating whether it should continue the approach for regulating derivative transactions between insured depository institutions and their affiliates that was initially adopted in Regulation W.

Description of Information Collection

The FR Y-8 is filed quarterly by all top-tier BHCs, including FHCs and SLHCs, for all insured depository institutions that are owned by the BHC and by FBOs that directly own a U.S. subsidiary bank (respondents). Respondents are required to file the information separately for each of their insured depository institutions.

Respondents that own insured depository institutions that do not have any covered transactions with affiliates and do not have any financial subsidiaries sign the declaration page attesting to these facts and submit it each quarter with the cover page. All other respondents must report data on covered transactions and derivatives for each of their insured depository institutions. The data to be reported varies based on the activities and subsidiaries of the insured depository institution. There are four data items for insured depository institutions that have covered transactions with affiliates other than financial subsidiaries. There are 10 data items on covered transactions between insured depository institutions that control financial subsidiaries. Finally, there is a data item on the maximum aggregate amount of all covered transactions for any single day during the calendar quarter and three data items on derivative transactions with affiliates.

Frequency

The Federal Reserve recommends that the reporting frequency of the FR Y-8 remain quarterly for all respondents. Regular and frequent reporting significantly enhances the Federal Reserve's ability to monitor transactions with affiliates and to detect liquidity and funding problems within an organization. Consistent with the goals of the risk-focused examination approach, regular reporting permits off-site monitoring FR Y-8 data facilitate pre-analysis work and conserve on-site examination resources for verifications of compliance and a review of pertinent issues. In addition, quarterly data lends itself to analysis with data collected on other BHC reports and the Call Reports.

Time Schedule for Information Collection

The FR Y-8 is submitted quarterly as of the last day of March, June, September, and December to the appropriate Reserve Bank within 30 days after the as-of date. A 15-day

extension may be given to respondents that own banks with more than one foreign office. FR Y-8 data are not published.

Legal Status

Section 5(c) of the Bank Holding Company Act authorizes the Board to require BHCs, including FHCs, to file the FR Y-8 reporting form with the Board (12 U.S.C. § 1844(c)). In addition, section 225.5(b) of Regulation Y states that BHCs, which include FBOs, shall furnish such information and reports as the Board may require (12 C.F.R. § 225.5(b); see also 12 C.F.R. § 225.2(c)(2) (defining BHCs as including FBOs)). Section 10(b)(2) of the Home Owners' Loan Act authorizes the Board to require SLHCs to file "such reports as may be required by the Board" and instructs that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require" (12 U.S.C. § 1467a(b)(2), as amended by section 369 of the Dodd-Frank Act). This information may be protected from disclosure under exemption (b)(4) of the Freedom of Information Act, which exempts privileged or confidential trade secrets and commercial or financial information from disclosure (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

On February 11, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 7592) requesting public comment for 60 days on the extension, without revision, of the FR Y-8. The comment period for this notice expired on April 13, 2015. The Federal Reserve did not receive any comments. On April 27, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 23274).

Estimates of Respondent Burden

The annual burden is estimated to be 47,422 hours as shown in the following table. Respondents vary greatly in size and number of insured depository institutions; although the largest holding companies have several insured depository institutions, the average is less than two insured depository institutions. Similarly, although the volume of section 23A transactions may be high for some insured depository institutions, approximately 80 percent of the insured depository institutions have no covered transactions and therefore only complete the cover page and declaration page. These reporting requirements represent less than 1 percent of the total Federal Reserve System annual paperwork burden.

FR Y-8	<i>Number of respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Institutions with covered transactions	972	4	7.8	30,326
Institutions without covered transactions	4,274	4	1.0	<u>17,096</u>
	<i>Total</i>			47,422

The total annual cost to the public for this information collection is estimated to be \$2,454,089.²

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 cost to the Federal Reserve System for collecting and processing the FR Y-8 is estimated to be \$264,300.

¹ Of these respondents required to comply with this information collection, 580 for the FR Y-8 (Institutions with covered transactions) and 3,586 for the FR Y-8 (Institutions without covered transactions) are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/small-business-size-standards. For purposes of this burden table, the number of respondents represents the number of FR Y-8 reporting forms filed.

² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.