

Supporting Statement for Supervisory and Regulatory Survey (FR 3052; OMB No. 7100-0322)

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 Supervisory and Regulatory Survey (FR 3052). The Federal Reserve uses this event-driven survey to obtain information specifically tailored to the Federal Reserve's supervisory, regulatory, and operational responsibilities. The Federal Reserve conducts the survey as needed up to 24 times per year. The frequency and content of the questions depend on changing economic, regulatory, supervisory, or legislative developments. Respondents comprise financial businesses.¹ This survey may be mandatory for financial institutions regulated by the Federal Reserve and voluntary for all other respondents. The annual burden is estimated to be 60,000 hours.

Background and Justification

The Federal Reserve promotes a safe, sound, and competitive banking system and stable financial conditions by:

- overseeing the quality and efficiency of the supervisory activities of the Reserve Banks,
- developing and implementing effective supervisory policies and guidance under the direction of the Board and in consultation with the Reserve Banks and other domestic and international supervisory agencies, and
- contributing to the conduct of the central bank's other responsibilities by advising the Board of current conditions and significant emerging developments at banking institutions and within financial markets.

The Federal Reserve has responsibility for supervising and regulating the following segments of the banking industry to ensure safe and sound banking practices and compliance with banking regulations:

- bank holding companies, including diversified financial holding companies formed under the Gramm-Leach-Bliley Act of 1999, and foreign banks with U.S. operations, and their nonbank subsidiaries,
- state-chartered banks that are members of the Federal Reserve System (state member banks),
- savings and loan holding companies,
- nonbank financial companies designated by the Financial Stability Oversight Council (FSOC) for supervision by the Federal Reserve,
- foreign branches of member banks,
- Edge Act and agreement corporations, through which U.S. banking organizations may conduct international banking activities,

¹ The FR 3052 survey is less restrictive than the Supplement to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9CS; OMB No. 7100-0128), which may be used to collect information from bank holding companies only.

- U.S. state-licensed branches, agencies, and representative offices of foreign banking organizations, and
- U.S. nonbanking activities of foreign banking organizations.

Although the terms *bank supervision* and *bank regulation* are often used interchangeably, they refer to distinct, but complementary, activities. Bank supervision involves the monitoring, inspecting, and examining of banking organizations to assess their condition and their compliance with relevant laws and regulations. Bank regulation entails issuing specific regulations and guidelines governing the operations, activities, and acquisitions of banking organizations.

The Federal Reserve has a long history of conducting surveys, including those of individuals and households, military personnel, financial institutions and their senior officers, and nonfinancial businesses (both small and large). Often the surveys have provided the only reliable source of information relevant to the motivation for the survey. Although these surveys have been driven by specific needs of the Federal Reserve, their aggregated findings have also been used extensively by researchers outside the Federal Reserve System and have been widely cited by the media.

The supervision and policy functions of BS&R have occasionally needed to gather data on an ad-hoc basis from the banking and financial industries on their financial condition (outside of the standardized regulatory reporting process) and decisions that organizations have made to adjust to the changes in the economy. Further, the data may relate to a particular business activity that requires a more detailed presentation of the information than is available through the regulatory reports (such as, the Call Report and the FR Y-9).² These data may be particularly needed in times of critical economic or regulatory changes or when issues of immediate supervisory concern arise from Federal Reserve supervisory initiatives and working groups or requests from Board Members and the Congress.

The Federal Reserve created the Supervisory and Regulatory Survey process in September 2009. Since its creation, a survey has been conducted several times. The first survey conducted in 2010 was part of a regulatory capital quantitative impact study. Subsequent surveys collected information related to regulatory capital, Comprehensive Capital Analysis and Review, analysis of operational risk loss event history, transactions by banks that are registered as government securities dealers, small debit card issuers and most recently, information to measure the global impact of the Basel III framework.

Description of Information Collection

The Federal Reserve utilizes this survey process during the year, as needed, to collect information on specific issues that affect its decision making. The principal value of this process is the flexibility it provides the Federal Reserve to respond quickly to the need for data due to

² For the purpose of this proposal, the Call Report refers to the reports of condition and income for commercial banks (FFIEC 031 and FFIEC 041; OMB No. 7100-0036), U.S. branches and agencies of foreign banks (FFIEC 002; OMB No. 7100-0032), and Edge Act and agreement corporations (FR 2886b; OMB No. 7100-0086). The FR Y-9 series is the Financial Statements for Bank Holding Companies (OMB No. 7100-0128).

unanticipated economic, financial, supervisory, or regulatory developments and unforeseen Congressional requests for information. The Federal Reserve cannot predict what specific information will be needed, but such needs are generally very time sensitive. The Federal Reserve conducts a survey as needed and is authorized to conduct up to 24 surveys per year from as many as 5,000 respondents (per survey).

The survey topics discussed with the respondents are often time sensitive and the questions of interest may vary with the focus of the survey. Because the relevant questions may change with each survey, there is no fixed reporting form. For each survey, the Federal Reserve prepares questions of specific topical interest and then determines the relevant target group to contact.

Written qualitative questions or questionnaires may include categorical questions, yes-no questions, ordinal questions, and open-ended questions. Written quantitative surveys may include dollar amounts, percentages, numbers of items, interest rates, and other such information; adequate data of this sort would not be available from any other source on a time-sensitive basis.

Before conducting a survey, the Federal Reserve reviews any information to be collected on a case-by-case basis to determine if the information is available by other means or sources. Institutions may also be required to provide copies of existing documents (for example, pertaining to practices and performances for a particular business activity). Less formal information collection studies, such as focus groups or cognitive interviews, use a set of structured qualitative and quantitative questions as a guide to more extended discussion of the questions and answers. The size of the samples and the length of the data collection period may vary depending on the particular informational needs.

The survey generally is coordinated and conducted by the staff at the Board and Reserve Banks as part of other on-going supervisory activities. In addition, the decision to conduct a particular survey takes into consideration its resource requirements. In most cases, Board staff use examination staff to conduct the surveys, leveraging their relationships and contacts with institutions and current work assignments. FR 3052 surveys are not considered part of the examination process and each institution is made aware of this determination. In addition, the survey may be conducted through a private firm, which is chosen in a competitive bidding process or other acceptable negotiated process.³ The survey can be developed by the Federal Reserve alone or jointly with the firm selected by the Federal Reserve. As necessary, the firm is responsible for testing the survey procedures, following the sampling protocol established by the Federal Reserve, conducting the survey as specified by the Federal Reserve, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results are conducted either solely by the Federal Reserve or jointly with the firm.

Much of the information is obtained via written surveys because (1) data are maintained in general ledger systems and may not be readily available or (2) the data may be maintained by

³ A couple of survey firms used by the Federal Reserve to conduct past surveys include the University of Michigan's Survey Research Center (SRC) and NORC (a social science and survey research organization at the University of Chicago).

different operational areas of the financial business, requiring input from multiple individuals.

Time Schedule for Information Collection and Publication

The time schedules for the distribution of, response to, and collection of data for each survey is determined during the planning phase prior to the distribution of the survey instrument. The time schedule for data collected from surveys conducted by survey firms is detailed in the individual contract documents.

Prior to asking institutions to complete a survey, the Federal Reserve explains to respondents the purpose of the survey and how the data will be used. The Federal Reserve will choose whether to publish survey data that it obtains from respondents and informs them beforehand if the data are to be published on an individual institution basis. The Federal Reserve Board may choose to keep survey data confidential, depending upon the nature of the data collection. Aggregate survey information may be cited in published material such as staff studies or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles.

Legal Status

The Board's Legal Division has determined that the FR 3052 is generally authorized under sections 2A and 12A of the Federal Reserve Act. Section 2A requires that the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (FOMC) maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. § 225a). In addition, under section 12A of the Federal Reserve Act, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with regard to the regulations' bearing upon the general credit situation of the country (12 U.S.C. § 263). The authority of the Federal Reserve to collect economic data to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve is authorized to use the FR 3052 by sections 2A and 12A of the Federal Reserve Act.

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from Edge and agreement corporations under section 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)) and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)); from nonbank financial companies designed by the FSOC for supervision by the Federal Reserve under section 161 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 5361); from foreign branches of member banks under sections 9 and 25 of the Federal Reserve Act (12 U.S.C. §§ 325 and 602); and from U.S. nonbanking activities

of foreign banking organizations covered under section 8 of the International Banking Act of 1978 (12 U.S.C. § 3106).

In general, the obligation to respond to the FR 3052 is voluntary. However, with respect to collections of information from state member banks, bank holding companies (and their subsidiaries), Edge and agreement corporations, U.S. branches and agencies of foreign banks, nonbank financial companies designed by the FSOC for supervision by the Federal Reserve, foreign branches of member banks, and U.S. nonbanking activities of foreign banking organizations authorized under the specific statutes noted above, the Federal Reserve could make the obligation to respond mandatory.

The ability of the Federal Reserve to maintain the confidentiality of information provided by respondents to the FR 3052 surveys will have to be determined on a case by case basis depending on the type of information provided for a particular survey. In some instances, when a contractor collects the data, the data may not be considered an agency record, and if it is not considered an agency record, no issue of confidentiality will arise. In circumstances where the Board collects that data or the contractor provides the identifying information to the Board, such information could possibly be protected from Freedom of Information Act (FOIA) disclosure by FOIA exemptions 4 and 6. Exemption 4 protects from disclosure trade secrets and commercial or financial information, while Exemption 6 protects information “the disclosure of which would constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. § 552(b)(4) and (6)). If the survey is mandatory and is undertaken as part of the supervisory process, information could be protected under FOIA exemption 8, which protects information relating to examination reports (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

At this time there has been no consultation outside the Federal Reserve System; however, surveys and studies can be conducted jointly with other agencies. If this were to occur, the Federal Reserve would consult with other agencies, to the extent practicable, to create a consistent set of questions or a substantively similar information collection.

On May 14, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 27686) requesting public comment for 60 days on the FR 3052. The comment period for this notice expired on July 13, 2015. The Federal Reserve did not receive any comments. On July 23, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 43774). The information collection will be extended for three years, without revision, as proposed.

Estimate of Respondent Burden

The annual burden for the FR 3052 survey is estimated to be 60,000 hours as shown in the following table. The number of respondents is based on the average number of responses anticipated per survey conducted. Because the survey is event-generated, it is not possible to predict exactly how many surveys will be conducted in a given year. For purposes of this estimate, it is assumed that the surveys would be conducted up to 24 times per year. It is also estimated that respondents would spend no more than 30 minutes completing each survey. This represents less than 1 percent of total Federal Reserve System annual paperwork burden.

	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 3052	5,000	24	0.5	60,000

The current annual cost to the public of these reports is estimated to be \$3,105,000.⁵

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The cost of the surveys depends on the size of the sample, the number of questions asked, the type and complexity of the questions asked, the frequency of the surveys, and whether the survey is conducted by a private firm or Federal Reserve System. The Federal Reserve anticipates that in most cases Federal Reserve System would conduct the surveys and there would be no additional staffing costs.

⁴ Of these respondents required to comply with this information collection, none 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.

⁵ 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 May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.