

**Supporting Statement for the
Senior Credit Officer Opinion Survey on Dealer Financing Terms
(FR 2034; OMB No. 7100-0325)**

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, with revision, the Senior Credit Officer Opinion Survey on Dealer Financing Terms (FR 2034; OMB No. 7100-0325). This voluntary survey collects qualitative and limited quantitative information from senior credit officers at responding financial institutions on (1) stringency of credit terms, (2) credit availability and demand across the entire range of securities financing and over-the-counter derivatives transactions, and (3) the evolution of market conditions and conventions applicable to such activities up to six times a year. The survey instrument currently contains 47 core questions divided into three broad sections, as well as additional questions on special topics of timely interest.

The Federal Reserve proposes to modify the survey instrument to contain 79 core questions that would be substantively similar to the current survey while instituting some reorganization and refinements: (1) more granular information on dealers' clients would be added to the Counterparty Types section; (2) the number of questions in Over-the-Counter Derivatives section would be significantly reduced; and (3) questions on additional collateral types would be added to the Securities Financing section.

Given the Federal Reserve's interest in financial stability, the information this survey collects is critical to the monitoring of credit markets and capital market activity. Aggregate survey results are made available to the public on the Federal Reserve Board website.¹ In addition, selected aggregate survey results may be published in *Federal Reserve Bulletin* articles and in the annual Monetary Policy Report to the Congress.

The reporting panel consists of up to 25 U.S. banking institutions and U.S. branches and agencies of foreign banks, the majority of which are affiliated with a Primary Government Securities Dealer; however, other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed when appropriate.² Although the proposed survey instrument has been expanded to collect additional information, the Federal Reserve believes the overall more efficient organization of the survey will more than offset any additional time required to respond to the additional questions. Therefore, the Federal Reserve estimates that the three hours required to complete a typical survey would remain unchanged. The total annual burden, based on six surveys, is estimated to be 450 hours.

1 See <http://www.federalreserve.gov/econresdata/releases/scoos.htm>

2 A list of the current Primary Dealers in Government Securities is available at http://www.newyorkfed.org/markets/pridealers_current.html

Background and Justification

The FR 2034 survey is significantly modeled after the long-established Senior Loan Officer Opinion Survey (FR 2018; OMB No. 7100-0058), which provides qualitative information on changes in the supply of, and demand for, bank loans to businesses and households. The information obtained from the FR 2018, which has been conducted in different forms since 1964, provides valuable insights on credit market and banking developments and meaningfully informs the formulation of monetary policy.

This information has been particularly valuable in recent years as it has provided the Federal Reserve with insight into the effects of the financial crisis on the availability of credit to households and businesses. The crisis, however, also highlighted that a significant volume of credit intermediation has moved outside of the traditional banking sector, which is the primary focus of the FR 2018. In addition, some of the instruments that are commonly used in conjunction with such intermediation (including for the financing of securities positions and over-the-counter derivatives) may have functioned as transmission mechanisms for financial distress during the crisis by connecting together seemingly separate parts of the financial system. For these reasons, and given not only the monetary policy responsibilities of the Federal Reserve but also its role in promoting and maintaining the stability of the financial system,³ the Federal Reserve decided to expand the collection of qualitative information on the availability of credit and leverage beyond the traditional banking sector to the extension of credit by dealers.⁴

On March 30, 2010, the Federal Reserve implemented FR 2034 to facilitate the regular collection and analysis of information representing the informed judgment of market participants on these additional forms of credit extension. However, unlike the large domestically chartered commercial banks and branches and agencies of foreign banks that make up the pool of respondents targeted by the FR 2018, this survey targets a different and smaller subset of market participants as respondents, with a focus on the consolidated entity which may have bank as well as nonbank affiliates.

Description of Information Collection

The questions on the Senior Credit Officer Opinion Survey are mainly qualitative in nature. They are drafted to elicit useful information without imposing undue reporting burden, for example by not requesting information that is already collected through other means. To understand certain market conventions and practices, however, the Federal Reserve may occasionally need to ask specific quantitative questions. When quantitative information is requested, in response to special questions, respondents may be asked to provide approximate or rough estimates.

The survey instrument currently contains 47 core questions divided into three broad sections. The first section focuses on credit terms applicable to counterparties of different types, spanning a variety of different transactions. The second section contains credit terms applicable to over-the-counter derivatives counterparties, distinguishing among contracts referencing different

³ For example, as a member of the Financial Stability Board formed at the behest of the G-20 Finance Ministers and Central Bank Governors.

⁴ The Group of Twenty (G-20) consists of finance ministers and central bank governors from 19 systemically important industrial and developing countries plus the European Union, who convene regularly to consider key issues related to global economic stability.

underlying assets. The third section deals with questions eliciting information about the financing terms provided for certain security positions.

Proposed Revisions

The proposed survey instrument would consist of 79 core questions. The proposed survey would be substantially similar to the current survey while instituting a number of useful refinements and reorganization. These enhancements would not result in the collection of significant additional information, and in fact the number of individual responses (including sub-categories of the core questions) would change little. The survey would still be divided into three broad sections. The first section still would focus on credit terms applicable to counterparties of different types, spanning a variety of different transactions. This section would be expanded to collect more granular information on dealers' clients. The second section would deal with credit terms applicable to over-the-counter derivatives counterparties, distinguishing among contracts referencing different underlying assets. The number of questions on credit terms applicable to over-the-counter derivatives transactions in this section would be significantly reduced. The third section would contain questions to elicit information about the financing terms provided for certain securities positions. This section would also be expanded to collect information on additional collateral types. As noted above, this core set of questions, which would be asked in each administration of the survey, could also be augmented with special questions to deal with matters of topical interest.

The survey is conducted through a web interface designed and maintained by the Federal Reserve Bank of New York, with follow-up as necessary via telephone. The primary contact at each responding institution is a senior credit officer who has perspective on all relevant activities conducted by the institution, irrespective of which business units these activities are located.

Reporting Panel

The activities that are the focus of the proposed Senior Credit Officer Opinion Survey may be conducted by large financial institutions through multiple business units. For example, a significant volume of securities financing may be conducted from a prime brokerage platform, but this does not preclude other similar activities, perhaps with clients other than hedge funds, from also occurring on trading desks with mandates that include making markets in the securities being financed or on centralized securities financing desks. In a similar vein, over-the-counter derivative transactions may occur on dedicated equity volatility or interest rate derivatives desks that are primarily engaged in derivatives transactions, but can also flow through businesses like corporate credit and commodities that trade both derivatives and the related cash instruments.

As previously indicated, the panel of up to 25 firms includes the consolidated entities affiliated with each of the primary dealers. This group can be augmented with a few institutions that, while not primary dealers, play a significant role in some facets of over-the-counter derivatives or securities financing activities.

Time Schedule for Information Collection and Publication

As noted earlier, the survey is generally conducted by the Federal Reserve Bank of New York. The Federal Reserve Bank of New York electronically transmits firm-level survey responses to the Federal Reserve Board, where the data are tabulated and summarized in a public release, which is made available on the Federal Reserve's website.

Legal Status

The Federal Reserve Board's Legal Division determined that the Senior Credit Officer Opinion Survey on Dealer Financing Terms is authorized by Sections 2A and 11(a)(2) of the Federal Reserve Act (12 U.S.C. §§ 225a, 248(a)(2)), Section 5(c) of the Bank Holding Company Act, (12 U.S.C. § 1844(c), and Section 7(c)(2) of the International Banking Act 3105(c)(2)) and is voluntary. The individual financial institution information provided by each respondent would be accorded confidential treatment under authority of exemption four of the Freedom of Information Act (5 U.S.C. §552 (b)(4)).

Consultation Outside the Agency

On January 28, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 5803) requesting public comment for 60 days on the implementation of the FR 2034 survey. The comment period for this notice expired on March 29, 2013. The Federal Reserve did not receive any comments. On April 10, 2013, the Federal Reserve published a final notice in the *Federal Register* (78 FR 21366), implementing the revisions as proposed.

Estimate of Respondent Burden

As shown in table 1, based on six surveys per year and an average response time of three hours, the total annual burden for the Senior Credit Officer Opinion Survey is estimated to be 450 hours. Actual respondent burden for this survey would likely vary depending on how many of the six authorized surveys are actually carried out and on the specific content of each questionnaire. Although the proposed survey instrument has been expanded to collect additional information, the Federal Reserve believes the overall more efficient organization of the survey will more than offset any additional time required to respond to the additional questions. Therefore, the Federal Reserve estimates that the three hours required to complete a typical survey would remain unchanged.⁵ The annual burden for the FR 2034 survey represents less than 1 percent of total paperwork burden for the Federal Reserve System.

⁵ Actual burden underlying the average assumed three-hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

Table 1
Estimate of Respondent Burden

	<i>Number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Senior Credit Officer Opinion Survey	25	6	3	450

The total cost to the public is estimated to be \$20,183.⁷

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 Federal Reserve's processing costs associated with this survey are nominal.

⁶ Of the respondents, 0 are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets) www.sba.gov/content/table-small-business-size-standards.

⁷ 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 @ \$17, 45% Financial Managers @ \$52, and 15% Legal Counsel @ \$55, and 10% Chief Executives@ \$81). 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 2011, <http://www.bls.gov/news.release/ocwage.nr0.htm>. Occupations are defined using the BLS Occupational Classification System, <http://www.bls.gov/soc/>.