

**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, without revision, the voluntary Senior Credit Officer Opinion Survey on Dealer Financing Terms (FR 2034; OMB No. 7100-0325). This 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. Although the Federal Reserve seeks the authority to conduct the survey up to six times a year, the survey is expected to be conducted only four times a year consistent with the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058). The survey instrument currently contains 79 core questions divided into three broad sections, as well as additional questions on special topics of timely interest.

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's website.<sup>1</sup> In addition, selected aggregate survey results may be discussed in Governor's speeches, and 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 22 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.<sup>2</sup> The total annual burden is estimated to be 660 hours.

## **Background and Justification**

The FR 2034 survey is significantly modeled after the long-established Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018), 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.

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<sup>1</sup> See [www.federalreserve.gov/econresdata/releases/scoos.htm](http://www.federalreserve.gov/econresdata/releases/scoos.htm).

<sup>2</sup> A list of the current Primary Dealers in Government Securities is available at [www.newyorkfed.org/markets/pridealers\\_current.html](http://www.newyorkfed.org/markets/pridealers_current.html).

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,<sup>3</sup> 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.<sup>4</sup>

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 respondents of a different and smaller subset of market participants, representing activities not conducted solely in a bank, but in several different legal entities, focused on the consolidated entity.

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

The survey is conducted through a web interface designed and maintained by the Statistics Function of 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

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

<sup>4</sup> 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.

perspective on all relevant activities conducted by the institution, irrespective of which business units or geographic areas 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.

The panel of up to 22 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**

The survey is generally conducted by the Statistics Function of the Federal Reserve Bank of New York. The Statistics Function 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 Board's Legal Division has determined that the FR 2034 is authorized by sections 2A and 11(a)(2) of the Federal Reserve Act (12 U.S.C. §§ 225a and 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 of 1978 (12 U.S.C. § 3105(c)(2)) and is voluntary. The individual financial institution information provided by each respondent would be accorded confidential treatment under exemption four of the Freedom of Information Act (5 U.S.C. § 552 (b)(4)).

### **Consultation Outside the Agency**

On February 10, 2016, the Federal Reserve published a notice in the *Federal Register* (81 FR 7105) requesting public comment for 60 days on the extension, without revision, of the FR 2034. The comment period for this notice expired on April 11, 2016. The Federal Reserve did not receive any comments. On April 25, 2016, the Federal Reserve published a final notice in the *Federal Register* (81 FR 24096).

## Estimate of Respondent Burden

As shown in the table below, the total annual burden for the FR 2034 is estimated to be 660 hours. Actual respondent burden for this survey would likely vary depending on how many of the authorized surveys are actually carried out and on the specific content of each questionnaire.<sup>5</sup> The total annual burden for the FR 2034 represents less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>6</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2034	22	6	5	660

The total cost to the public is estimated to be \$35,079.<sup>7</sup>

## 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.

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<sup>5</sup> Actual burden underlying the average assumed five 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.

<sup>6</sup> Of these respondents, 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](http://www.sba.gov/content/small-business-size-standards).

<sup>7</sup> 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 \$65, 15% Lawyers at \$66, and 10% Chief Executives at \$89). 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 2015*, published March 30, 2016 [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).