

**Supporting Statement for the
Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and
Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the mandatory Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and the Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035). The reporting and disclosure provisions of the International Lending Supervision Act of 1983 (the Act) authorize the Board to require these reports. The FFIEC mandates both reports and the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) collect identical reports from institutions under their supervision. The FDIC and the OCC have also submitted a similar request for OMB review for banks under their supervision.

U.S. commercial banks, savings associations, and bank holding companies (BHCs) that meet certain criteria file quarterly the Country Exposure Report (FFIEC 009) with the Board, the FDIC, and the OCC (the agencies) and provide information on international claims of U.S. banks, savings associations, holding companies, and savings and loan holding companies (SLHCs) that is used for supervisory and analytical purposes. The information is used to monitor country exposure of banks to determine the degree of country risk and transfer risk in their portfolios and the possible impact on U.S. banks of adverse developments in particular countries. The Country Exposure Information Report (FFIEC 009a) is a supplement to the FFIEC 009 and provides publicly available information on material foreign country exposures (all exposures to a country in excess of 1 percent of total assets or 20 percent of capital, whichever is less) of U.S. banks, savings associations and holding companies that file the FFIEC 009 report. As part of the Country Exposure Information Report, reporting institutions must also furnish a list of countries in which they have lending exposures between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of total capital, whichever is less.

The agencies propose to revise these collections effective September 30, 2016, to (1) have institutions provide their Legal Entity Identifier (LEI) on both reporting forms, only if they already have one and (2) add Intermediate Holding Companies (IHCs) to the Board's respondent panel and effective March, 31, 2018, to (3) add General Electric Capital Corporation (GECC) to the Board's respondent panel. The current annual burden for the FFIEC 009 and the FFIEC 009a is estimated to be 21,632 and would increase 2,740 hours to 24,372 hours.

Background and Justification

The banking agencies use the FFIEC 009 report in carrying out their supervisory and regulatory responsibilities to collect information on overseas lending activities of U.S. banks to customers in individual countries. The information is used to monitor and analyze banks' country exposure in order to determine the possible impact on individual banks and on the entire U.S. banking system of adverse developments in particular countries. It is a basic source of

information on the geographic distribution of bank claims that is provided to other U.S. government agencies and to the Bank for International Settlements (BIS). The information collected in the report is not available from any other source.

The FFIEC 009 report originated in 1977 in response to concerns about the lack of information on banks' country risk exposures, in view of the substantial growth in international lending by U.S. banks in the mid-1970s. In 1984 the FFIEC increased the frequency from semiannual to quarterly, implementing reporting requirements of the International Lending Supervision Act, to obtain more frequent and timely data on changes in the composition and maturity of banks' loan portfolios subject to transfer risk. The FFIEC revised the report in 1985 to provide greater sector detail on third-country guarantors for country redistribution of guaranteed claims and to obtain information on trade finance.

The FFIEC 009a report was implemented in 1984 as a supplement to the FFIEC 009 report to provide public disclosure of information regarding material country risk exposure in accordance with the Act. Section 907 of the Act provides that the federal banking agencies shall require and publicly disclose certain reports from banking institutions with foreign country exposure. The FFIEC 009a is available to the public and requires respondents to report all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. In addition, each institution furnishes a list of the countries in which exposures are between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of capital, whichever is less. Data are reported net of adjustments for transfers of exposure, for example through guarantees. The FFIEC initially established this reporting basis, which is consistent with the approach taken by the Securities and Exchange Commission, following consultation with bankers.

Effective with the March 31, 1997, report date, the agencies incorporated the following revisions to the FFIEC 009: added a new schedule to collect information on the respondent's country exposure resulting from revaluation gains on foreign exchange and derivative contracts held in the trading account; added a new item, Assets Held for Trading (new column 20); deleted an item, Amount of Claims that Represent Guarantees Issued by the U.S. Government and its Agencies (old column 13); combined three columns, Commercial Letters of Credit (old column 20), Standby Letters of Credit and Risk Participations Purchased (old column 21), and All Other Commitments (old column 22), into one column Commitments (new column 15); redefined the column Trade Financing to contain all items reported in column 9, Trade Financing and column 20, Commercial Letters of Credit and renumbered as column 21; combined columns for the breakdown of time remaining to maturity for total claims on foreign residents for Over One Year to Two Years and Over Two Years to Five Years into a single column for Over One Year to Five Years; and revised the instructions to require all claims consisting of available-for-sale securities to be reported at amortized cost rather than at fair value. In addition, minor instructional clarifications and a revision of the reporting form to reflect country code changes were changed. The revisions to the FFIEC 009a report included the addition of a new column to collect the Amount of Cross-border Claims Outstanding from Derivative Products after Mandated Adjustments for Transfer of Exposure and Amount of Net Local Country claims from Derivative Products (new column 3).

Effective with the March 31, 2003, report date, the agencies required electronic submission of all FFIEC 009 and FFIEC 009a reports.

Effective with the March 31, 2006, report date, the agencies revised the FFIEC 009 in order to harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the BIS as their “consolidated banking statistics.” The revisions provided additional information about U.S. banks’ exposure to country risk, transfer risk, and foreign-exchange risk. The revisions collected additional detail on foreign-office claims of U.S. banks on local residents, including sector breakdowns and a currency split; a split between commitments and guarantees plus credit derivatives; additional detail on foreign-office liabilities; and trade finance after adjustments for collateral and guarantees. The definition of the public (i.e., government) sector was brought into agreement with the definition used in the Call Report that banks file quarterly. The instructions were changed to collect data on exposures arising from all derivatives contracts, not just those held in the trading account. There were no changes to the FFIEC 009a, although the change in the definition of the public sector on the FFIEC 009 changed the amounts reported in columns 6 and 7 on the FFIEC 009a by corresponding amounts. The instructions to the FFIEC 009a reporting form were changed to reflect column changes on the FFIEC 009.

Effective with the December 31, 2013, report date for current filers and the March 31, 2014, report date for SLHC filers, the agencies proposed revisions that assisted in ensuring consistency of reporting across institutions for a number of important components of foreign country exposure and allowed for improved analysis of the aggregate exposure of U.S. banks to foreign creditors. The proposed changes included (1) increasing the number of counterparty categories, (2) adding additional information on the type of claim being reported, (3) providing details on a limited number of risk mitigants to help provide perspective to currently reported gross exposure numbers, (4) adding more detailed reporting of credit derivatives, (5) eliminating voluntary data items for net foreign office claims on local residents, (6) adding the United States as a country row to allow reconciliation between a reporting institution’s FFIEC 009 report and its Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) or Consolidated Reports of Condition and Income (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) (Call Report), as appropriate, (7) expanding the entities that must report to include savings and loan holding companies, (8) delaying the year-end due date by five days, and (9) updating the list of countries included on the report to be consistent with Treasury International Capital (TIC)¹ reports. In addition, the proposed changes included modifying the FFIEC 009a reporting requirement for exposures to individual countries.

Description of Information Collection

The FFIEC 009 is filed as of the last business day of each quarter by any state member bank, savings association or BHC that (a) has at least one of the following: (1) a branch in a foreign country; (2) a subsidiary in a foreign country; (3) an Edge or agreement subsidiary;

¹ See TIC Form BC (OMB No. 1505-0017), TIC Form BL-1 (OMB No. 1505-0019), TIC Form BL-2 (OMB No. 1505-0018), TIC Form BQ-1 (OMB No. 1505-0016), TIC Form BQ-2 (OMB No. 1505-0020), TIC Form BQ-3 (OMB No. 1505-0189), TIC Form CQ-1 and CQ-2 (OMB No. 1505-0024), TIC Form D (OMB No. 1505-0199), and TIC Form S (OMB No. 1505-0001).

(4) an International Banking Facility (IBF) subsidiary; or (5) a branch in Puerto Rico or any U.S. territory or possession; and (b) has, on a fully consolidated basis, total outstanding claims of at least \$30 million on residents of foreign countries.

The FFIEC 009 collects information, by country², on three schedules. Schedule 1 collects information on the respondent's country exposure excluding claims resulting from the positive fair value of derivatives contracts, which are reported in Schedule 2. Specifically, Schedule 1 collects information on the respondent's cross-border claims on residents of foreign countries and their foreign-office claims on local residents. These claims are reported on an immediate-counterparty basis and on an ultimate-risk basis (i.e., after adjustments for guarantees and collateral), and inward and outward risk transfers are also reported. The sector (bank, public, and other) of the borrower is broken out, as are claims with a remaining maturity up to and including one year. Cross-border and foreign-office commitments to and guarantees (including credit derivatives) on foreigners are reported on an ultimate-risk basis. Schedule 1.a collects information on the respondent's foreign-office liabilities in non-local currency and in local currency by country of the foreign office and total liabilities booked at the respondent's foreign offices by country of the liability-holder. Schedule 1.a also includes memorandum items for net liabilities due from own related offices in other countries, assets held for trading, and trade finance. Schedule 2 collects information on the respondent's cross-border claims on foreigners that result from the positive fair value of all the respondent's derivative contracts. This information includes the sector (bank, public, and other) of the obligor and optional information on the positive and negative fair value of derivatives contracts of foreign offices vis-à-vis local residents. In addition, claims on bank branches that are not formally guaranteed by the head offices of the branches are identified by country of the location of the branch.

The FFIEC 009a is a quarterly supplement to the FFIEC 009 and implements public disclosure provisions of the Act. Respondents provide detail on all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. Each FFIEC 009a respondent also furnishes a list of the countries in which exposures are between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of capital, whichever is less. In addition, Section 910(a)(1) of the Act authorizes the federal banking agencies to interpret and define the terms used in the Act. Thus, the agencies have the right to order a banking institution to file the FFIEC 009 and FFIEC 009a quarterly, even if the specified reporting criteria are not met, if the agencies deem the institution's country exposure to be material in relation to its capital and assets.

Proposed Revisions to the FFIEC 009 and FFIEC 009a

Legal Entity Identifier

The LEI is a 20-digit alpha-numeric code that uniquely identifies entities that engage in financial transactions. The recent financial crisis spurred the development of a Global LEI

² Country names and country codes used for reporting FFIEC 009 data are based on the geographical classification published by the Department of the Treasury. The reporting form may be modified, from time to time, to reflect country consolidations or countries that have recently gained independence.

System (GLEIS). Internationally, regulators and market participants have recognized the importance of the LEI as a key improvement in financial data systems. The Group of Twenty (G-20) nations directed the Financial Stability Board to lead the coordination of international regulatory work and deliver concrete recommendations on the GLEIS by mid-2012, which in turn were endorsed by the G-20 later that same year. In January 2013, the LEI Regulatory Oversight Committee (ROC), including participation by regulators from around the world, was established to oversee the GLEIS on an interim basis. With the establishment of the full Global LEI Foundation in 2014, the ROC continues to review and develop broad policy standards for LEIs. The Board, the FDIC, and the OCC are all members of the ROC.

The LEI system is designed to facilitate several financial stability objectives, including the provision of higher quality and more accurate financial data. In the United States, the Financial Stability Oversight Council (FSOC) has recommended that regulators and market participants continue to work together to improve the quality and comprehensiveness of financial data both nationally and globally. In this regard, the FSOC also has recommended that its member agencies promote the use of the LEI in reporting requirements and rulemakings, where appropriate.³

Effective beginning October 31, 2014, the Board started requiring holding companies to provide their LEI on the cover pages of the FR Y-6, FR Y-7, and FR Y-10 reports⁴ only if a holding company already has an LEI. Thus, if a reporting holding company does not have an LEI, it is not required to obtain one for purposes of these Board reports. Additionally, effective for December 2015, the Board expanded the collection of the LEI to all holding company subsidiary banking and nonbanking legal entities reportable on certain schedules of the FR Y-10 and in one section of the FR Y-6 and FR Y-7 if an LEI has already been issued for the reportable entity. With respect to the FFIEC 009 and FFIEC 009a, the agencies are proposing to have reporting institutions provide their LEI on the cover page of each report beginning September 30, 2016, only if an institution already has an LEI. As with the Board reports, an institution that does not have an LEI would not be required to obtain one for purposes of reporting it on the FFIEC 009 and FFIEC 009a.

Intermediate Holding Companies

On December 14, 2012, the Board invited comment on a notice of proposed rulemaking (proposed Regulation YY)⁵ that would have required a Foreign Banking Organization (FBO) with \$50 billion in non-branch assets to establish a U.S. IHC, imposed enhanced prudential standards on the IHC, and required the IHC to submit any reporting forms in the same manner and to the same extent as a bank holding company. On February 18, 2014, the Board adopted a final rule implementing enhanced prudential standards for FBOs (Regulation YY),⁶ with certain revisions in response to comments. The Board indicated in the preamble to Regulation YY that

³ Financial Stability Oversight Council 2015 Annual Report, page 14, at <http://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/2015%20FSOC%20Annual%20Report.pdf>.

⁴ Annual Report of Holding Companies (FR Y-6), Annual Report of Foreign Banking Organizations (FR Y-7); and Report of Changes in Organizational Structure (FR Y-10) (OMB No. 7100-0297).

⁵ See 77 FR 76628 (December 28, 2012).

⁶ See 79 FR 17240 (March 27, 2014).

it would address the reporting requirements for IHCs at a later date. Based on the background provided above, the agencies propose to add IHCs to the FFIEC 009 and FFIEC 009a panel of Board respondents beginning September 30, 2016.

General Electric Capital Corporation

In July 2013, the FSOC determined that material financial distress at General Electric Capital Corporation (GECC) could pose a threat to U.S. financial stability and that GECC should be subject to supervision by the Board and to enhanced prudential standards. The FSOC's basis for its final determination noted GECC's interconnections with financial intermediaries through its financing activities and its funding model as well as a large portfolio of on-balance-sheet assets comparable to those of the largest U.S. bank holding companies. In particular, FSOC noted GECC's significant use of wholesale funding, including short-term wholesale funding (commercial paper), and use of long-term debt and securitization debt, which could expose other large financial institutions to GECC's distress, among other reasons for its determination. GECC became subject to the Board's supervision immediately upon the FSOC's final determination. As a result GECC is required to submit the FFIEC 009 and the FFIEC 009a in the same manner as a bank holding company beginning March 31, 2018.

Time Schedule for Information Collection

The time schedule for filing both reports is quarterly as of the end of March, June, September, and December. Each report should be submitted within 45 days of the reporting date for the March, June, and September quarters, and within 50 days of the reporting date for the December quarter. The Board is responsible for collecting, editing, and compiling the data on behalf of all three banking agencies.

The agencies publishes aggregate data from the FFIEC 009 in the quarterly E.16 statistical release, *Country Exposure Lending Survey*. In addition, the agencies makes aggregate data available to the BIS. The BIS then publishes statistical data on consolidated bank claims on foreign borrowers as its "consolidated international banking statistics" on its website and in its *Quarterly Review*. Data from the FFIEC 009a are published on the FFIEC website.

Legal Status

The Board's Legal Division has determined that section 11(a) of the Federal Reserve Act (12 U.S.C. § 248(a)(1) and (2)), section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(c)), section 907 of the International Lending Supervision Act of 1983 (12 U.S.C. § 3906) authorize the Board to collect the FFIEC 009 and the FFIEC 009a from banks and bank holding companies. The Board is authorized to collect information from SLHCs pursuant to section 10(b) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)(A)) and from IHCs pursuant to section 165(a) of the Dodd-Frank Act (12 U.S.C. § 5365(a)). The obligation to respond is mandatory. Individual respondent data reported on the FFIEC 009 is entitled to confidential treatment are exempt from disclosure under the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4) and (b)(8)). The information collected on the FFIEC 009a is publicly available, and accordingly, would not be exempt from disclosure under FOIA

Consultation Outside the Agency and Discussion of Public Comments

On April 14, 2016, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (81 FR 22163) requesting public comment for 60 days on the extension, with revision, of the FFIEC 009 and FFIEC 009a (adding LEI and IHCs). The comment period for this notice expired on June 13, 2016. The agencies received one comment letter from a bankers' association indicating that it would submit data on certain divergent reporting practices observed across institutions with respect to the FFIEC 009 and FFIEC 009a in a supplemental submission. The letter did not comment on either of the changes proposed by the agencies. Any forthcoming data and comments on the FFIEC 009 and FFIEC 009a reporting requirements from this association would be considered for possible inclusion in a separate future notice of agency information collection activities. On July 20, 2016, the agencies published a final notice in the *Federal Register* (81 FR 47237).

On December 3, 2014, the Board published a notice in the *Federal Register* (79 FR 71768) requesting public comment for 60 days on the revision of the FFIEC 009 and FFIEC 009a (adding GECC). The comment period for this notice expired on February 2, 2015. The Board did not receive any comments. On July 24, 2015, the Board published a final notice in the *Federal Register* (80 FR 44111).

Estimate of Respondent Burden

The current annual reporting burden for the FFIEC 009 and FFIEC 009a is estimated to be 21,362 hours and would increase to 24,372 hours. The change in the number of respondents reflects the addition of four IHCs and GECC to the Board's respondent panel. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents⁷</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 009	40	4	131	20,960
FFIEC 009a	28	4	6	<u>672</u>
<i>Total</i>				21,632
Proposed				
FFIEC 009	45	4	131	23,580
FFIEC 009a	33	4	6	<u>792</u>
<i>Total</i>				24,372
<i>Change</i>				2,740

⁷ Of these respondents, none are considered a small entity as defined by the Small Business Administration (i.e., entities with \$550 million or less in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

The current total cost to the public is estimated to be \$1,149,741 and with the proposed revisions would increase to \$1,295,372 for the FFIEC 009 and the FFIEC 009a.⁸

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The current annual cost to the Federal Reserve System for collecting and processing the FFIEC 009 and FFIEC 009a is estimated to be \$102,021.

⁸ 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. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.