

**Supporting Statement for the  
Reporting Requirements Associated with Regulation A  
(FR A; OMB No. 7100-NEW)**

***Extensions of Credit by Federal Reserve Banks  
(Docket No. R-1476) (RIN 7100-AE08)***

**Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to implement the Reporting Requirements Associated with Regulation A (FR A; OMB No. 7100-NEW). The Board adopted amendments to Regulation A - Extensions of Credit by Federal Reserve Banks to implement the emergency lending authorities provided under the 3rd undesignated paragraph of section 13 of the Federal Reserve Act (FRA) as amended by sections 1101 and 1103 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). These provisions of the Dodd-Frank Act require the Board, in consultation with the Secretary of the Treasury, to establish by regulation policies and procedures with respect to emergency lending under section 13(3) of the FRA. The reporting requirements are found in section 201.4(d)(5)(iv)(A). The annual burden for the FR A is estimated to be 50 hours. There are no required reporting forms associated with this information collection.

**Background and Justification**

On December 23, 2013, the Board proposed amendments to Regulation A to implement sections 1101 and 1103 of the Dodd-Frank Act.<sup>1</sup> The purpose of the proposed amendments was to implement the Dodd-Frank Act revisions to the Board's emergency lending authority in section 13(3) of the Federal Reserve Act that limit the use of this authority to the provision of liquidity through broadly-based facilities for solvent firms in a time of crisis.

Prior to the enactment of the Dodd-Frank Act, section 13(3) provided that the Board may authorize a Federal Reserve Bank to extend credit to any individual, partnership, or corporation subject to four principal conditions. These conditions required that (1) credit be extended only in unusual and exigent circumstances, (2) credit be extended only if the Board authorizes the lending by the affirmative vote of at least five of its members, (3) the lending Federal Reserve Bank obtain evidence before extending the credit that the borrower is unable to secure adequate credit from other banking institutions, and (4) the extension of credit be indorsed or otherwise secured to the satisfaction of the Federal Reserve Bank. This statutory authority to extend emergency credit to any person in unusual and exigent circumstances was enacted by Congress in 1932 to enable the Federal Reserve, as the nation's central bank, to provide liquidity in times of financial stress.

Effective on July 21, 2010, the Dodd-Frank Act amended section 13(3) to limit this emergency lending authority to broad-based programs and facilities that relieve liquidity pressures in financial markets. To accomplish this, the Dodd-Frank Act amended section 13(3)

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<sup>1</sup> Public Law 111-203, 124 Stat 1376 (2010).

to remove the general authority to lend to an individual, partnership, or corporation and to replace that general authority with the limited authority to extend emergency credit only to participants in a program or facility with broad-based eligibility designed for the purpose of providing liquidity to the financial system. In addition, the amendments to section 13(3) provide that a program or facility that is structured to remove assets from the balance sheet of a single and specific company, or that is established for the purpose of assisting a single and specific company avoid bankruptcy or resolution under a Federal or State insolvency proceeding would not be considered a program or facility with broad-based eligibility. The Dodd-Frank Act also prohibits lending under section 13(3) to insolvent borrowers, and requires that the Board establish policies and procedures that assign a value to all collateral for an emergency loan and that are designed to ensure that the collateral is sufficient to protect taxpayers from losses. Moreover, section 13(3) was amended to provide that a program or facility may not be established without the prior approval of the Secretary of the Treasury. The Dodd-Frank Act also imposed certain publication and congressional reporting requirements regarding lending under section 13(3).

### **Description of Information Collection**

The reporting requirements are found in section 201.4(d)(5)(iv)(A). Section 201.4(d)(5)(iv)(A) provides that a Federal Reserve Bank may rely on a written certification from the person or from the chief executive officer or other authorized officer of the entity, at the time the person or entity initially borrows under the program or facility, that the person or entity is not in bankruptcy, resolution under Title II of Public Law 111-203 (12 U.S.C. 5381 et seq.) or any other Federal or State insolvency proceeding, and has not failed to generally pay its undisputed debts as they become due during the 90 days preceding the date of borrowing under the program or facility, and is not borrowing for the purpose of lending the proceeds of the loan to a person or entity that is insolvent. No other federal law mandates these reporting requirements.

### **Time Schedule for Information Collection**

The information collection is event driven based on when the person or entity initially borrows under the program or facility.

### **Legal Status**

The Board's Legal Division has determined that the FR A is authorized by section 11 of the Federal Reserve Act (12 U.S.C. 248(i)-(j) and (s)) and sections 1101 and 1103 of the Dodd-Frank Act (12 U.S.C. 343 and 225(b)). The obligation to respond is required to obtain a benefit. The data are regarded as confidential under the Freedom of Information Act (5 U.S.C. 552(b)(4)).

### **Consultation Outside the Agency**

On January 6, 2014, the Board published a notice of proposed rulemaking in the *Federal Register* (79 FR 615) for public comment. The comment period for this notice expired on March 7, 2014. The Board indicated in the proposed rule that the reporting requirements

associated with the Regulation A would be minimal and no Paperwork Reduction Act (PRA) burden was taken. The Board received no comments on this aspect of the proposal. However, based on the comments received for clarifying the proposed rule to prohibit solvent firms from passing the proceeds of emergency loans on to insolvent firms and adopting a broader definition of insolvency, the Board will take reporting burden for this section. On December 18, 2015, the Board published a final rule in the *Federal Register* (80 FR 78959). The final rule is effective on January 1, 2016.

### Estimate of Respondent Burden

The annual burden for the FR A is estimated to be 50 hours. The Board is not currently aware of any respondents, but for purposes of the PRA the Board will assume 10 respondents. The estimated average hours per response is 5 hours. The FR A reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

<b>FR A</b>	<i>Number of respondents<sup>2</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting Section 201.4(d)(5)(iv)(A)	10	1	5	50

The total cost to the public is estimated to be \$2,745 for the FR A.<sup>3</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 cost to the Federal Reserve System is negligible.

<sup>2</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/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards](http://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards).

<sup>3</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 \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016*, published March 31, 2017, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)