

**Supporting Statement for the
Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks
(FR 2502q; OMB No. 7100-0079)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079). U.S. commercial banks, bank holding companies, including financial holding companies, and Edge Act and agreement corporations (U.S. banks) are required to file the FR 2502q for their large branches and banking subsidiaries that are located in the United Kingdom or the Caribbean.¹ As of June 30, 2017, 18 reports were filed for large foreign branches, and 9 reports were filed for large foreign subsidiaries.

The FR 2502q collects, for each reporting office, claims on and liabilities to residents of the United States and of all countries as of each quarter-end. Additional details are collected about positions vis-à-vis U.S. residents. Positions vis-à-vis other non-U.S. offices of the parent bank and positions arising from derivatives contracts are also broken out. The data are used in constructing a piece of the Financial Accounts of the United States that are compiled by the Board and in preparing the U.S. International Transactions Accounts and the International Investment Position that are compiled by the Bureau for Economic Analysis (BEA), an agency of the Department of Commerce. The current annual burden of the report is estimated to be 108 hours.

Background and Justification

The Monthly Report on Foreign Branch Assets and Liabilities (FR 2502; OMB No. 7100-0078) was implemented in 1969 and collected, for the last business day of each month, a breakdown of foreign branch assets and liabilities by category of customer.² The data also distinguished between customers in the United States and those in other countries and showed the balance of accounts denominated in U.S. dollars, the balance of those denominated in all other currencies combined, and the total thereof. The Quarterly Report on Foreign Branch Assets and Liabilities (FR 2502s; OMB No. 7100-0079) provided a geographic breakdown of assets and liabilities of foreign branches as of the last day of each quarter (March, June, September, and December), similar to the current FR 2502q. The FR 2502s was implemented in September 1975, at a time when foreign branches experienced greatly increased flows of funds from the oil-exporting countries and increased borrowing by developing countries.

¹ An office is located in the Caribbean if it is located in any of the following: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Cuba, Curacao, Dominica, Dominican Republic, Grenada, Guadeloupe (including Marie-Galante, La Desirade, Iles des Saintes, St. Barthelemy, and northern St. Martin), Haiti, Jamaica, Martinique, Montserrat, Saba, St. Eustatius, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, and the Turks and Caicos Islands.

² From 1965 to 1969, the Department of the Treasury collected balance-sheet data from foreign branches of U.S. banks.

The Board, along with other agencies, has an interest in knowing the amounts of the claims and liabilities of U.S.-chartered banks with respect to residents of individual countries. The geographic breakdown of assets and liabilities of foreign branches that was collected on the FR 2502s contributed to understanding U.S.-chartered banks' positions vis-à-vis residents of foreign countries. Specifically, the data could be combined with data of U.S. offices' positions vis-à-vis foreign residents from the Treasury International Capital (TIC) reports to obtain an estimate of U.S. banks' *total* claims and liabilities—that is, claims and liabilities in their U.S. *and* their foreign offices—vis-à-vis residents of individual foreign countries.³ Interest in U.S. banks' claims on foreign residents has been especially strong during those times when developing countries have had severe payment difficulties. Liability data were particularly useful at the time of the U.S. freeze of official Iranian and Libyan assets at U.S. banks, including those at foreign branches. Also, information on the funds placed with U.S. banks by the oil exporting countries has been of much interest through the years, both to the Federal Reserve System and to the Congress, which has requested a great deal of data on this subject.

By the time of the 1993 review of the information collection, the country detail from the quarterly reporting form was still immensely valuable. However, the usefulness of much of the detailed balance sheet data from the monthly reporting form had diminished. In March 1994, a new quarterly reporting form, the current FR 2502q, was formed, merging the necessary information from the FR 2502 and FR 2502s. The new reporting form contained all of the country detail that had been reported on the FR 2502s, plus a handful of data items (some with revision) that had been reported on the FR 2502 and that were still needed for construction of the monetary aggregates, the Financial Accounts of the United States (then referred to as the flow-of-funds), and U.S. International Transactions and the International Investment Position.⁴ The remaining data items collected monthly on the FR 2502 were dropped.⁵ The scope of the reporting panel was broadened to include not only foreign branches of U.S. banking organizations, but large foreign subsidiaries as well.

In 2003, the FR 2502q was revised to include several memoranda items to break out claims and liabilities reported under the unallocated accounts item. Prior to this time, FR 2502q data had been combined with data from other sources to develop a profile of the total claims of U.S. banks on residents of individual countries. Around this time, however, the FR 2502q ceased to be used in this way, because data from the quarterly Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report (FFIEC 009; OMB No. 7100-0035), which directly collects consolidated claims of U.S. banks on residents of individual countries, were compiled in a much more timely manner than they had been. Final data from the FFIEC 009 had become available with a lag of about twelve weeks, and near-final data had become available with a two-month lag, the same lag as final data from the FR 2502q. As a result, U.S. banks' total claims on residents of individual foreign countries could be obtained from the FFIEC 009. Doing so is more accurate than combining data from the FR 2502q and the TIC reports, because these two reports are not entirely comparable.

³ In combining the two sets of data, intrabank positions were netted out on the basis of data from a memoranda item in the FR 2502q.

⁴ These data items included customer detail on transactions with U.S. residents, claims and liabilities with respect to other non-U.S. offices of the parent, and Eurodollar liabilities payable to certain U.S. addressees.

⁵ The FR 2502 OMB Control Number was discontinued in December 1993.

In 2006, several revisions were made to the FR 2502q reporting form and instructions. As a result of the discontinuation of the publication of the monetary aggregate M3 in March 2006, Schedule A for the unallocated data items was revised. The reporting panel for the FR 2502q was also scaled back to require offices located only in the Caribbean and the United Kingdom to file the report. This change was undertaken because a comprehensive reporting panel that included branches and subsidiaries located in all countries was no longer needed in light of the fact that consolidated reporting of liabilities of foreign offices by country of customer was added to the FFIEC 009. The panel was limited to offices in the Caribbean and the United Kingdom because these offices are the most likely to have significant positions vis-à-vis customers in other countries.

In 2009, the FR 2502q reporting form was revised to conform more closely to the U.S. Department of State's official country list. In addition, the country list sub-headers were clarified to indicate that the areas listed may be countries or dependencies. Minor revisions were also made to the FR 2502q instructions to indicate that countries or dependencies not listed on the reporting form should be summed in each proposed regional subtotal, rather than current unallocated data items.

In 2012, the FR 2502q reporting form was revised to update the country list to remove a dissolved country, and to increase the reporting threshold for foreign branches from \$500 million to \$2 billion. In addition, the Board clarified the instructions.

In 2015, the FR 2502q was revised to drop all country detail except for claims on and liabilities to U.S. residents. By 2015, the usefulness of the FR 2502q as a source of information about positions of U.S. banks vis-à-vis residents of individual foreign countries had diminished. As noted above, the FFIEC 009 had become available in a more timely manner, so that U.S. banks' consolidated claims on residents of individual foreign countries could be obtained from the FFIEC 009. In addition, the FFIEC 009 had been revised to include more comprehensive data on banks' liabilities by country of customer, effective at the end of March 2006. As a result, U.S. banks' total liabilities to residents of individual foreign countries are obtained by combining data on liabilities from the FFIEC 009 and the TIC reports.

Nevertheless, the FR 2502q continues to provide data about the nature and scope of activities in foreign offices by location and type of office that are unavailable from other reporting forms. Because the banks' submissions that underlie the FFIEC 009 are consolidated on a worldwide basis, they do not indicate which particular offices are involved in lending to or borrowing from U.S. or foreign residents. For example, they cannot show the extent to which subsidiaries or branches in London or the Caribbean serve as a conduit for claims on or liabilities to U.S. or foreign residents. In addition, data from the FFIEC 009 do not show the extent to which U.S. banks' derivatives activities are booked in, for example, London offices.

In addition, the BEA uses FR 2502q data from the Memoranda section on branches of U.S. banks in the Bahamas and the Cayman Islands (together with data from the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S; OMB No. 7100-0032)) in its estimates of the U.S. International Transactions Accounts and the International Investment Position. Other sources of

data that could be used in these estimates are available only with a lag of several months. The Board uses memoranda item 1.c., Claims on, and liabilities to, U.S. addressees other than depository institutions, as input to the Financial Accounts of the United States.

Description of Information Collection

The FR 2502q collects data quarterly on the geographic distribution of the assets and liabilities of large U.K. or Caribbean branches and subsidiaries of U.S. commercial banks, bank holding companies (including financial holding companies), and Edge Act and agreement corporations. Detail on geography is limited to breaking out claims on and liabilities to U.S. residents from total claims and liabilities. Additional details are collected about positions vis-à-vis U.S. residents—specifically, whether the counterparty is the parent bank, another U.S. depository institution, or another type of counterparty. Positions vis-à-vis other non-U.S. offices of the parent bank and positions arising from derivatives contracts are also broken out.

Reporting Panel

U.S. commercial banks, bank holding companies, and Edge Act and agreement corporations are required to file the FR 2502q for their large foreign branches and large banking subsidiaries that are located in the Caribbean or the United Kingdom. Large foreign branches are currently defined as those that file the Foreign Branch Report of Condition (FFIEC 030; OMB No. 7100-0071) with total assets, item 11, of \$2 billion or more. Large banking subsidiaries are defined as those that file the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; OMB No. 7100-0073) quarterly, have a banking charter, and have assets of \$2 billion or more *and* deposits of \$10 million or more, Schedule BS, item 10 and Schedule BS-M, item 6, respectively. The Board recommends making no change to the reporting thresholds for either branches or subsidiaries.

Frequency

Respondents file the FR 2502q as of the last business day of the quarter. A less frequent periodicity would have serious adverse consequences. Because developments affecting international borrowing and lending occur rapidly, data collected less frequently would be much less useful for analytical and supervisory purposes. These purposes include use of these statistics in the Financial Accounts of the United States, the U.S. International Transactions Accounts, and the U.S. International Investment Position.

Time Schedule for Information Collection and Publication

Respondents file the FR 2502q quarterly, as of the last business day of March, June, September, and December. The FR 2502q data are not published.

Legal Status

The Board is authorized to collect the information in the FR 2502q from (1) bank holding companies pursuant to section 5 of the Bank Holding Company Act (12 U.S.C. 1844(c)), which

authorizes the Board to require a bank holding company and any subsidiary to submit reports, (2) Edge Act and agreement corporations pursuant to sections 25(7) and 25A(17) of the Federal Reserve Act (FRA) (12 U.S.C. 604a and 625), which authorize the Board to require Edge Act and agreement corporations to make reports to the Board, and (3) depository institutions pursuant to section 11(a)(2) of the FRA (12 U.S.C. 248(a)(2)), which authorizes the Board to require reports from each member bank as it may deem necessary and authorizes the Board to prescribe reports of liabilities and assets from insured depository institutions to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates. The FR 2502q report is mandatory.

The information from this collection would not be accorded confidential treatment because release of the information is not likely to result in substantial harm to the competitive position of the respondents. If confidential treatment is requested by a respondent, the Board will review the request to determine if confidential treatment is appropriate.

Consultation Outside the Agency

On February 22, 2018, the Board published an initial notice in the *Federal Register* (83 FR 7725) requesting public comment for 60 days on the extension, without revision, of the FR 2502q. The comment period for this notice expired on April 23, 2018. No public comments were received. On May 15, 2018, the Board published a final notice in the *Federal Register* (83 FR 22486).

Estimate of Respondent Burden

The current annual burden for the FR 2502q is estimated to be 108 hours annually, as shown in the following table. As of June 30, 2017, there were 27 reports filed for large foreign branches and subsidiaries. The estimated average response time, which is the same for data that are submitted on an individual and a consolidated basis, is currently estimated to be 1 hour. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

FR 2502q	<i>Number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	27	4	1	108

⁶ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e. entities with less than \$550 million in assets) www.sba.gov/document/support--table-size-standards.

The total cost to the public for FR 2502q is estimated to be \$6,053.⁷

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 current cost to the Federal Reserve System for collecting and processing the FR 2502q is estimated to be \$45,800 per year.

⁷ 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 \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). 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 2017*, published March 30, 2018 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.