Supporting Statement for the
Holding Company Report of Insured Depository Institutions'
Section 23A Transactions with Affiliates
(FR Y-8; OMB No. 7100-0126)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), is extending for three years, with revision, the quarterly Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8; OMB No. 7100-0126). This reporting form collects information on covered transactions between an insured depository institution and its affiliates that are subject to the quantitative limits and other requirements of section 23A of the Federal Reserve Act (12 U.S.C. 371c) and the Board's Regulation W - Transactions Between Member Banks and Their Affiliates (12 CFR part 223). The FR Y-8 is filed quarterly by all U.S. top-tier bank holding companies (BHCs) and savings and loan holding companies (SLHCs), and by foreign banking organizations (FBOs) that directly own or control a U.S. subsidiary insured depository institution. If an FBO indirectly controls a U.S. insured depository institution through a U.S. holding company, only the U.S. holding company must file the FR Y-8. A respondent must file a separate report for each U.S. insured depository institution it controls. The FR Y-8 reporting form comprises a cover page, declaration page, and two pages collecting data on covered transactions and derivatives.

Section 23A of the Federal Reserve Act limits an insured depository institution's exposure to affiliated entities and helps to protect against the expansion of the federal safety net to uninsured entities. The primary purpose of the data is to enhance the Board's ability to monitor the credit exposure of insured depository institutions to their affiliates and to ensure that insured depository institutions are in compliance with section 23A.

In order to reduce reporting burden, the Board is eliminating the FR Y-8 declaration page. Previously, respondents that own or control insured depository institutions could submit a declaration page each quarter attesting to the fact that the institutions do not have any covered transactions with their affiliates. The Board is revising the instructions to reflect the elimination of the declaration page and to clarify that respondents that own or control insured depository institutions that do not have any covered transactions with their affiliates would not have to file the FR Y-8. With the elimination of the declaration page, the total annual reporting burden for the proposed FR Y-8 is estimated to be 29,110 hours, a decrease of 15,292 hours from the current burden of 44,402 hours. The revisions are applicable as of the June 30, 2018, report date.

Background and Justification

The Board implemented the FR Y-8 in March 1975 to monitor transactions between a subsidiary depository institutions and its parent holding company or other affiliates. Over the years, the reporting panel and data items have been revised to reflect changing data needs. In 2000, the reporting form and instructions were completely revised to enhance the Federal Reserve's ability to monitor bank exposures to affiliates and to ensure insured depository institutions' compliance with section 23A. Holding companies were required to file the information separately for each of their insured depository institutions. In addition, FBOs that directly own U.S. subsidiary insured depository institutions were added to the reporting panel. In March 2013, the reporting panel was revised to include SLHCs.

Section 23A of the Federal Reserve Act is an important statutory provision designed to protect a depository institution from suffering losses in transactions with affiliates. Section 23A, which is implemented by Regulation W, also limits the ability of a depository institution to transfer to its affiliates the subsidy arising from the institution's access to the federal safety net. FR Y-8 data are necessary to monitor compliance with section 23A and Regulation W.

The Dodd-Frank Wall Street Reform and Consumer Protection Act revised section 23A to expand the definition of covered transaction to specifically include the credit exposure resulting from derivative transactions between an insured depository institution and its affiliates. The information on derivative transactions between insured depository institutions and their affiliates that is required by the FR Y-8 enables supervisory staff to better monitor trends in inter-affiliate derivative transactions on an aggregate basis. This information, coupled with enhanced on-site supervision of derivative transactions between insured depository institutions and their affiliates at large banking organizations, aids the Federal Reserve in evaluating the effect of derivative transactions between insured depository institutions and their affiliates.

Description of Information Collection

The FR Y-8 is filed quarterly by all U.S. top-tier BHCs and SLHCs, and by FBOs that directly own or control a U.S. subsidiary insured depository institution. If an FBO indirectly controls a U.S. insured depository institution through a U.S. holding company, only the U.S. holding company must file the FR Y-8. A respondent must file a separate report for each U.S. insured depository institution it controls.

Respondents must report data on covered transactions and derivatives for each of their insured depository institutions. The data to be reported vary based on the activities and subsidiaries of the insured depository institution. There are four data items for insured depository institutions that have covered transactions with affiliates other than financial subsidiaries. There are ten data items on covered transactions between insured depository institutions that control financial subsidiaries. There is also a data item on the maximum aggregate amount of all covered transactions for any single day during the calendar quarter. Finally, there are three data items concerning derivative transactions with affiliates.

Revisions

The Board is eliminating the FR Y-8 declaration page effective June 30, 2018, to reduce reporting burden. Previously, each respondent that owns or controls insured depository institutions that do not have any covered transactions with affiliates and do not have any financial subsidiaries could have, instead of completing the entire form, signed the declaration page attesting to these facts and submited the declaration page each quarter with the cover page. The option was implemented in December 2000 as a mechanism to ensure compliance and to monitor insured depository institution exposures to affiliates. The declaration page also served as a tool to remind institutions, especially smaller institutions, of the quantitative limits and requirements imposed by section 23A on covered transactions with their affiliates. However, since the implementation of the requirement, approximately 80 percent of all insured depository institutions have filed only the declaration page indicating that they do not have any covered transactions with affiliates. As of December 2016, approximately 99 percent of the institutions for which a declaration page was filed were community banks.[1] The reduction of regulatory burden from eliminating the requirement for these respondents to file the declaration page strongly outweighs the benefits of continuing this requirement. The Board is revising the instructions to reflect the elimination of the declaration page and to clarify that respondents that own or control insured depository institutions that do not have any covered transactions with their affiliates do not have to file the FR Y-8.

Frequency

The reporting frequency of the FR Y-8 remains quarterly for all respondents. Regular and frequent reporting significantly enhances the Federal Reserve's ability to monitor transactions between insured depository institutions and their affiliates and to detect liquidity and funding problems within an organization. Consistent with the goals of the risk-focused examination approach, regular reporting permits off-site monitoring of FR Y-8 data to facilitate pre-exam analysis work and to conserve on-site examination resources for verifications of compliance and a review of pertinent issues. In addition, quarterly data lends itself to analysis with data collected on other holding company reports and the Call Reports for insured depository institutions.

Time Schedule for Information Collection and Publication

The FR Y-8 is submitted quarterly as of the last day of March, June, September, and December. It is submitted within 30 calendar days after the as-of date. A 15-day extension may be given to respondents that own banks with more than one foreign office. The FR Y-8 data are confidential.

Legal Status

Section 5(c) of the Bank Holding Company Act authorizes the Board to require BHCs to file the FR Y-8 reporting form with the Board (12 U.S.C. 1844(c)). Section 10(b)(2) of the Home Owners' Loan Act authorizes the Board to require SLHCs to file the FR Y-8 reporting form with the Board (12 U.S.C. 1467a(b)(2)). The FR Y-8 report is mandatory for respondents that control an IDI that has engaged in covered transactions with an affiliate during the reporting period. The data collected on this form includes financial information that is not normally disclosed by respondents, the release of which would likely cause substantial harm to the competitive position of the respondent if made publicly available. The data collected on this form, therefore, would be kept confidential under exemption 4 of the Freedom of Information

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[1] Community banks are defined as depository institutions owned by organizations with less than $10 billion in assets.

Act, which protects from disclosure trade secrets and commercial or financial information (5 U.S.C. 552(b)(4)).

Consultation Outside the Agency

On March 15, 2018, the Board published an initial notice in the *Federal Register* (83 FR 11519) requesting public comment for 60 days on the extension, with revision, of the FR Y-8. The comment period for this notice expired on May 14, 2018, and no comments were received. On June 19, 2018, the Board published a final notice in the *Federal Register* (83 FR 28428). The revisions will be implemented as proposed.

Estimates of Respondent Burden

The current total annual reporting burden for the FR Y-8 report is estimated to be 44,402 hours. The Board estimates that, with the elimination of the declaration page, the total annual burden has decreased by 15,292 hours. These reporting requirements represent less than 1 percent of the total Federal Reserve System annual paperwork burden.

FR Y-8	*Number of respondents*[2]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
Institutions with covered transactions	933	4	7.8	29,110
Institutions without covered transactions	3,823	4	1.0	15,292
Total				44,402
Proposed				
Institutions with covered transactions	933	4	7.8	29,110
Change				(15,292)

[2] Of the respondents, 502 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/document/support--table-size-standards. For purposes of this burden table, the number of respondents represents the number of FR Y-8 reporting forms filed.

The total annual cost to the public for this information collection was estimated to be $2,488,732 and has decreases to $1,631,616 with the revisions.[3]

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 for collecting and processing the FR Y-8 was estimated to be $186,400 and has decreased to $145,200 with the revisions. The one-time cost to implement the revised report is estimated to be $9,600.

[3] 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/.