Supporting Statement for the
Senior Financial Officer Surveys
(FR 2023; OMB No. 7100-0223)

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 Senior Financial Officer Surveys (FR 2023; OMB No. 7100-0223).[1] The Board uses the surveys in this collection to gather qualitative and limited quantitative information about liability management, the provision of financial services, and the functioning of key financial markets from a selection of up to 80 large commercial banks (or, if appropriate, from other depository institutions or major financial market participants). A senior officer at each respondent bank would complete this voluntary survey usually through an electronic submission. Although a survey may not be collected in a given year, the Board may conduct up to four surveys per year when significant informational needs arise and cannot be met from existing data sources.

The current annual burden for the FR 2023 is estimated to be 960 hours, based on four surveys per year. These surveys do not have a fixed set of questions; each survey would consist of a limited number of questions directed at topics of timely interest. Accordingly, a sample form is not included with this proposal.

Background and Justification

The Board uses Senior Financial Officer Surveys to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management practices. Surveys conducted under the FR 2023 help pinpoint developing trends in bank funding practices, enabling the Board to distinguish these trends from transitory phenomena. The FR 2023 also complements other deposit reports that, by themselves, provide limited insight into the causes of the changing behavior of deposit holders and depository institutions. Moreover, the FR 2023 has given the Board the opportunity to follow periodic developments in financial markets related to extraordinary events that are beyond the scope of other reports. Before initiating a new survey, the Board would determine if the information to be collected is available by other means or sources within the Federal Reserve System to avoid duplication.

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[1] Certain criteria apply to information collections conducted via the Board's ad hoc clearance process. Such information collections shall (1) be vetted by the Board's clearance officer as well as the Division director responsible for the information collection, (2) display the OMB control number and respondents shall be informed that the information collection has been approved, (3) be used only in such cases where response is voluntary, (4) not be used to substantially inform regulatory actions or policy decisions, (5) be conducted only and exactly as described in the OMB submission, (6) involve only noncontroversial subject matter that will not raise concerns for other Federal agencies, (7) include information collection instruments that are each conducted only one time, (8) include a detailed justification of the effective and efficient statistical survey methodology (if applicable), and (9) collect personally identifiable information (PII) only to the extent necessary (if collecting PII, the form must display current privacy act notice). In addition, for each information collection instrument, respondent burden will be tracked and submitted to OMB.

In February 1994, the Board used the FR 2023 to conduct a survey requesting information about the availability and profitability of providing brokerage services to retail customers and the provision of non-brokerage services to mutual funds. This survey found evidence that large banks were continuing to expand their retail brokerage programs and helped quantify the importance of these activities for bank profitability. The Board used the FR 2023 again in December 1994, focusing on bank funding practices. Results from this survey helped identify factors that explained banks' increased reliance on managed liabilities to fund domestic credit. In May 1996, the Board used the FR 2023 to investigate bank reserve management practices in order to increase understanding of how banks might operate with low required reserve balances. Information from this survey assisted in the smooth implementation of monetary policy as sweep accounts drove down the level of required operating balances.

The Board conducted a survey in May 1998 under the FR 2023 that was designed to gauge the effect on banks' reserve management of the imposition of a charge on banks that overdraw their accounts at the Federal Reserve during the course of the day (the so-called daylight overdraft fee) and the expansion of the operating hours of the Fedwire system. The survey documented the tendency of banks to concentrate delivery of federal funds later in the day, potentially in response to changes in the Federal Reserve's intraday credit policy. This survey also confirmed previous anecdotal evidence that banks used the extension of Fedwire operating hours to transfer funds linked not only to international transactions, which was expected, but also to domestic transactions.

In August 2006, the Board used the FR 2023 to assess the use of retail sweep programs. The results were not published. Respondents almost uniformly indicated that their banks would not eliminate retail sweep programs or change vault cash management strategies in response to payment of interest on reserves. In the 1996 and 1998 surveys, respondents had indicated more willingness to alter their behavior.

As illustrated by these examples, information collected through the FR 2023 has assisted the Board in its assessment of bank behavior and financial market conditions by improving knowledge of institutional arrangements and by permitting prompt inquiries in response to unusual circumstances. Information collected through these surveys has also been used by the Federal Open Market Committee (FOMC) and has contributed to the formulation of monetary policy.

In 2012, the minimum asset size for panel institutions was reduced from $3 billion to $2 billion and 20 domestically chartered commercial banks with $2 to $10 billion in total assets were added to the authorized panel. The expanded panel provides a more comprehensive picture of differences in funding conditions at the largest banks and regional banks, and deeper coverage of banks that lend in commercial real estate and small business markets.

Description of Information Collection

Both the frequency and the content of the Senior Financial Officer Surveys have been, and will continue to be, determined by exigencies. The surveys do not have a fixed set of questions; each survey consists of a limited number of both qualitative and quantitative questions directed at topics of timely interest. To the extent possible, the Federal Reserve notifies respondents in advance as to the topic(s) to be covered in an impending survey. In extraordinary circumstances, when such notice is not possible, the decision to waive this advance notice provision would be made only by Federal Reserve officials. The survey is generally completed through electronic submission by a senior financial officer at each respondent bank. If they prefer, banks also have the option of responding through a telephone interview conducted either by a Reserve Bank officer or senior-level Federal Reserve Board staff member who has expertise in the area of bank liability management, or by a Board staff member, as appropriate. The surveys are voluntary.

Reporting Panel

The primary panel of respondents is identical to the U.S. commercial bank subset of respondents for the Senior Loan Officer Opinion Survey (FR 2018; OMB No. 7100-0058) and currently comprises 80 large, domestically chartered commercial banks.[2] To ensure adequate geographic coverage, the survey panel spans all Federal Reserve Districts. As of March 31, 2017, the assets of the panel banks totaled $11.8 trillion and accounted for about 69 percent of the $17.0 trillion in total assets at domestically chartered institutions. The overlap between the reporting panels of the FR 2018 and FR 2023 surveys aids the Board in interpreting the data received.

The primary panel of large domestically chartered commercial banks would be appropriate for most survey topics. In some situations, however, panels based on alternative criteria may be more appropriate or may provide useful additional information. Consequently, the Board may survey other types of respondents (such as other depository institutions, bank holding companies, or other financial entities) in addition to the primary panel. For example, it may be useful to survey foreign banking organizations to gain better insight into the demand for reserves at these institutions, or institutional loan investors to gain a better understanding of the syndicated loan market. This option enhances the potential scope and utility of the survey and is consistent with the uses of the FR 2018. The surveys of optional panels would be conducted either by the Reserve Banks or the Board, as appropriate.

Time Schedule for Information Collection and Publication

The survey may be conducted up to four times per year. In 1994, two surveys were conducted that assisted the Federal Reserve in its assessment of bank behavior and financial market conditions. Since then, only three surveys have been conducted, as there were no circumstances requiring more frequent surveys. However, such circumstances could arise in the

[2] The Board tries to maintain the full authorized panel of 80 insured, domestically chartered commercial banks on the FR 2018. The panel is heavily weighted towards large complex banking organizations, but also includes a fair number of large and medium-sized regional banks, which allows for a greater diversity of responses and provides a broader view of the banking system. In addition, the FR 2018 reporting panel also has a subset composed of large U.S. branches and agencies of foreign banks. These institutions are not included in the primary FR 2023 panel because most of their funding operations are in the wholesale, not retail, market or in their home countries. However, should the need arise, U.S. branches and agencies could be surveyed as an optional panel.

future and the Board believes that the authority to conduct up to four surveys a year is essential for the Federal Reserve to maintain the ability to keep abreast of important market developments.

Survey responses are tabulated and summarized at the Board. Summary data are forwarded to Reserve Banks for distribution to respondents and also are available to other members of the public.

Legal Status

Section 2A of the Federal Reserve Act (FRA) requires that the Board and FOMC maintain long-run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. 225a). In addition, under section 12A of the FRA, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks. Those transactions must be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country (12 U.S.C. 263). The Board and the FOMC use the information obtained from the FR 2023 to help fulfill these obligations. The FR 2023 is a voluntary survey.

The questions asked on each survey will vary, so the ability of the Board to maintain the confidentiality of information collected must be determined on a case by case basis. It is likely that much of the information collected would constitute confidential financial information obtained from a person and would thus be protected from disclosure under exemption 4 to the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(4)). Exemption 8 to FOIA, which protects information related to examination, operating, or condition reports prepared for the use of an agency supervising financial institutions, may also occasionally apply (5 U.S.C. 552(b)(8)).

Consultation Outside the Agency

On May 15, 2018, the Board published an initial notice in the *Federal Register* (83 FR 22488) requesting public comment for 60 days on the extension for three years, without revision, of the FR 2023. The comment period for this notice expired on July 16, 2018. The Board did not receive any comments. On August 8, 2018, the Board published a final notice in the *Federal Register* (83 FR 39093).

Estimate of Respondent Burden

As shown below, the total annual burden for the FR 2023 is estimated to be 960 hours, based on four surveys per year.[3] These reporting requirements represent less than 1 percent of total Federal Reserve System annual paperwork burden.

[3] Actual burden underlying the average per 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.

	Number of respondents[4]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
FR 2023	80	4	3	960

The total cost to the public is estimated to be $53,808.[5]

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

While the FR 2023 has not been conducted in some time, it is expected to be collected in a manner very similar to the FR 2018, with a substantially overlapping respondent panel. Therefore, the cost to the Federal Reserve System for collecting and processing is estimated to be the same as for the FR 2018, $132,600 per year.

[4] 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/document/support--table-size-standards.

[5] 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/.