

SUPPORTING STATEMENT
FOREIGN BRANCH REPORT OF CONDITION
(FFIEC 030/030S)
OMB No. 3064-0011

INTRODUCTION

The FDIC is requesting Office of Management and Budget (OMB) approval for a three-year extension, with revision, of this collection of information. In summary, the FDIC, jointly with the Federal Reserve Board and the Office of the Comptroller of the Currency (OCC), is proposing to revise the Foreign Branch Report of Condition information collection to address the changes in accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). The proposed revisions related to ASU 2016-13 would take effect beginning March 31, 2019, for the form FFIEC 030 and December 31, 2019, for the form FFIEC 030S.

The Foreign Branch Report of Condition, form FFIEC 030, contains asset and liability information along with data on certain derivatives and off-balance sheet items for foreign branches of U.S. banks. The report is filed quarterly by foreign branches that have either \$2 billion or more in total assets or \$5 billion or more in commitments to purchase and sell foreign currencies and annually by other foreign branches with total assets in excess of \$250 million. An Abbreviated Foreign Branch Report of Condition, form FFIEC 030S, which contains only five items, is filed annually by branches with total assets of between \$50 million and \$250 million (in lieu of filing the entire FFIEC 030 form). Foreign branches with less than \$50 million in total assets are not required to report.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Section 18(d)(2) of the Federal Deposit Insurance Act requires the FDIC's prior approval for the establishment and operation of foreign branches by insured state nonmember banks "upon such conditions and pursuant to such regulations as the Corporation may prescribe." Section 347.116 of the FDIC's regulations requires these banks to "make and submit such reports and information as may be necessary to implement and enforce the provisions of" Subpart A of Part 347 of the FDIC's regulations and to "submit an annual report of condition for each foreign branch pursuant to instructions provided by the FDIC."

On July 21, 2011, supervisory responsibility for federal and state-chartered savings associations was transferred from the former Office of Thrift Supervision to the OCC and the FDIC, respectively, pursuant to Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203. Accordingly, with the approval of OMB on December 28, 2012, after notice and comment pursuant to the Paperwork Reduction

Act, the applicability of the Foreign Branch Report of Condition was extended to foreign branches of insured state-chartered savings associations beginning as of the December 31, 2012, report date.

In June 2016, the FASB issued ASU 2016-13, which amends existing U.S. generally accepted accounting principles (U.S. GAAP) by adding new Topic 326, Credit Losses, to the Accounting Standards Codification (ASC). ASU 2016-13 changes several aspects of existing U.S. GAAP, which is the accounting framework upon which the instructions for preparing the Foreign Branch Report of Condition is based. These changes include the introduction of the current expected credit losses methodology for estimating allowances for credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, a reduction in the number of credit impairment models in existing U.S. GAAP, and a modification of the existing accounting practices for impairment on available-for-sale debt securities. The new credit losses accounting standard takes effect in 2020, 2021, or 2022 depending on an institution's characteristics, with early application of the standard permitted for all institutions in 2019.

The proposed revisions to this collection of information would not change the line items required to be reported in the Foreign Branch Report of Condition. Rather, the FDIC and the other banking agencies are proposing the following revisions to the instructions for the FFIEC 030 and FFIEC 030S reports:

- (1) FFIEC 030 Assets: All asset categories on the FFIEC 030 report are reported gross of any related allowances. Allowances for credit losses, including loan and lease losses, are reported in line item 16, "Gross due to head office, U.S. branches, and other foreign branches of this bank." Currently, however, the instructions for line item 8, "Gross due from head office, U.S. branches, and other foreign branches of this bank," also state that institutions should report any allowance for loan and lease losses and other valuation allowances in this line item. Effective March 31, 2019, the agencies would remove this language from the line item 8 instructions since the allowance for loan and lease losses and other valuation allowances are reported in line item 16. Additionally, the agencies would add a statement to the instructions for balance sheet item 10, "Other assets," that specifies that institutions that have adopted ASU 2016-13 should exclude from this item any accrued interest receivable on interest-bearing assets that is reported elsewhere on the balance sheet.
- (2) FFIEC 030 Liabilities: The gross due to amounts reported in Liabilities item 16, "Gross due to head office, U.S. branches, and other foreign branches of this bank," include any allowance for loan and lease losses on the books of the reporting branch. To address the change in allowance nomenclature arising from the broader scope of allowances under ASU 2016-13, effective March 31, 2019, the agencies would revise the reporting instructions for Liabilities item 16, to change "any allowance for loan and lease losses" to "any allowances for credit losses." From March 31, 2019, through September 30, 2022, the instructions for item 16 would specify that institutions that have not adopted ASU 2016-13 should continue to include the allowance for loan and lease losses in this item.

(3) FFIEC 030S Financial Data: Branches that file the FFIEC 030S on an annual basis report their “Gross due to related institutions” in item 3. The instructions for item 3 state that this item corresponds to FFIEC 030 Liabilities items 16 and 17.¹ Thus, the effect of the revisions to the instructions for FFIEC 030 Liabilities item 16, described above, would carry over to FFIEC 030S item 3.

2. Use of Information:

The FDIC uses the information collected on the Foreign Branch Report of Condition to monitor the level of activity and growth of these overseas banking offices with \$50 million or more in total assets. Additionally, the reported data are needed in order to identify branches that should be targeted for examination based on the nature and extent of their operations and to effectively plan the scope of individual branch examinations.

3. Consideration of the use of improved information technology:

The FDIC currently collects a Foreign Branch Report of Condition quarterly from one branch of an FDIC-supervised institution and annually from 8 branches. Eight foreign branches of FDIC-insured institutions are currently required to file the Abbreviated Foreign Branch Report of Condition annually. The Federal Reserve System (FRS) performs the collection and processing of both versions of the Foreign Branch Report of Condition on behalf of the three federal banking agencies. As a result, no special efforts have been undertaken by the FDIC to use improved information technology to reduce the burden associated with preparing and filing the Foreign Branch Report of Condition.

4. Efforts to Identify Duplication

There is no other report that provides asset, liability, and off-balance sheet data for individual foreign branches of U.S. banks. Foreign office dollar amounts for certain balance sheet categories can be derived from the Consolidated Reports of Condition and Income (Call Report) filed by banks with foreign offices on form FFIEC 031 (OMB No. 3064-0052); however, this information is reported on an aggregate basis for all foreign offices of the reporting bank. For Call Report purposes, the term “foreign offices” includes Edge and Agreement subsidiaries, other non-U.S. subsidiaries, and International Banking Facilities (IBFs) as well as the actual foreign branches of the parent bank. Hence, the separate dollar amounts for each branch location are not identifiable from the FFIEC 031. Foreign office dollar amounts for off-balance sheet items cannot be determined from the form FFIEC 031.

¹ Liabilities item 17 is used to report a branch’s “Gross due to consolidated subsidiaries of this bank.”

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

The collection does not involve small businesses or other small entities.

6. Consequences to the Federal program if the collection were conducted less frequently:

“Significant branches” (i.e., those with at least \$2 billion in total assets or with at least \$5 billion in commitments to purchase foreign currencies and U.S. dollar exchange) report quarterly. All other foreign branches with \$50 million or more in total assets report annually, either on the Foreign Branch Report of Condition if they have \$250 million or more in total assets or on the Abbreviated Foreign Branch Report of Condition otherwise. The dual reporting frequency approach for this collection has ensured that up-to-date information is more readily available from significant branches, i.e., those foreign branches that present the greatest potential risk. The reported information has also been used to monitor potential developments that may pose risks to the overall operations of the parent institution. Annual reporting by foreign branches other than “significant branches” is adequate for the FDIC to monitor the current condition of and any changes in the overseas activity of the institutions under its supervision. In this regard, the five items collected annually from branches with total assets of between \$50 million and \$250 million on the Abbreviated Foreign Branch Report of Condition are considered the minimum information needed to serve as indicators of higher business volume, risk, and complexity in small-sized foreign branches.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On September 28, 2018, the FDIC, the Federal Reserve Board, and the OCC jointly published an initial Paperwork Reduction Act Federal Register notice proposing to extend, with revision, the Foreign Branch Report of Condition and certain other reports (83 FR 49160). The agencies received comments on the proposals covered in the notice from two entities, a bankers’ association and a bank. The commenters recommended clarifications to the language used in the notice and associated reporting instructions, as well as clarifying edits to the proposed revised reporting forms. The agencies are incorporating appropriate clarifying edits suggested by commenters that are applicable to the Foreign Branch Report of Condition in the updated instructions for these report forms.

9. Payment of Gift to Respondents

No payment or gift will be provided to respondents.

10. Any assurance of confidentiality:

Both versions of the Foreign Branch Report of Condition collected by the FRS on behalf of the FDIC are regarded as confidential as a matter of agency policy pursuant to 5 U.S.C. 552(b)(8) and respondents have been so advised. Should individual branch data be publicly released in the future, banks would be notified.

11. Justification for questions of a sensitive nature:

Both versions of the Foreign Branch Report of Condition contain no questions of a sensitive nature.

12. Estimate of hour burden including annualized hourly costs:

Number of annual respondents (FFIEC 030)	8
Number of annual respondents (FFIEC 030S)	8
Reports per annual respondent per year	1
Number of quarterly respondents (FFIEC 030)	1
Reports per quarterly respondents per year	4
Hours required to prepare report (FFIEC 030)	3.4
Hours required to prepare report (FFIEC 030S)	0.5
Total annual burden in hours	45

Estimated Cost Burden:

FDIC utilized data gathered from the Bureau of Labor Statistics (BLS) as of September 2018 to estimate the total labor costs. The wage estimate is a weighted average of five occupations: Executives, Lawyers, Financial Managers, Loan Officers, and Clerical Support. According to the May 2017 National Industry-Specific Occupational Employment and Wage Estimates for the Depository Credit Intermediation sector the 75th percentile wages for the aforementioned occupations are as follows:

Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Estimated Total Weighted Labor Cost Component
Executives*	\$141.31	15%	\$21.20
Lawyers**	\$160.50	5%	\$8.02
Financial Managers***	\$115.03	40%	\$46.01
Loan Officers†	\$71.82	10%	\$7.18
Clerical‡	\$37.00	30%	\$11.10
Total Estimated Weighted Average Hourly Compensation Rate		100%	\$94

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation Sector" (May 2017), Employer Cost of Employee Compensation (September 2018), Consumer Price Index (September 2018).

- * Occupation (SOC Code): Top Executives(111000)
- ** Occupation (SOC Code): Lawyers, Judges, and Related Workers(231000)
- *** Occupation (SOC Code): Financial Managers(113031)
- † Occupation (SOC Code): Loan Officers(132072)
- ‡ Occupation (SOC Code): Bookkeeping, Accounting, and Auditing Clerks(433031)

The wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the September 2018 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 35.7 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 3.31 percent between May 2017 and September 2018.

The estimated weighted average labor cost of \$94 per hour, times the estimated 45 burden hours per year, results in an estimated annual cost for this ICR (OMB No. 3064-0011) of **\$4,230.**:

13. Estimate of start-up costs to respondents:

None

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

There is no change in the total annual burden for the Foreign Branch Report of Condition of 45 hours in the Inventory of Currently Approved Information Collections. The proposed revisions would affect and clarify the reporting instructions in recognition of the changes in accounting for credit losses under ASU 2016-13.

16. Information regarding collections whose results are planned to be published for statistical use:

The information collected in the Foreign Branch Report of Condition and the Abbreviated Foreign Branch Report of Condition is not published or publicly disclosed on an individual branch basis. Aggregate data is published by the FRS in a form that does not reveal the amounts reported by individual branches.

17. Display of Expiration Date

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.