

**Supporting Statement for the
Foreign Branch Report of Condition
(FFIEC 030 and FFIEC 030S; OMB No. 7100-0071)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Foreign Branch Report of Condition (FFIEC 030 and FFIEC 030S; OMB No. 7100-0071). Insured domestically chartered commercial banks and savings associations (U.S. banks) that have one or more branch offices in a foreign country are required to report balance sheet information for each of their foreign branches on either the FFIEC 030 or the FFIEC 030S. The FFIEC 030 is collected annually as of December 31 or quarterly for significant branches as of the last day of each calendar quarter; the FFIEC 030S is an abbreviated reporting form filed annually by smaller institutions.

The Federal Reserve receives reports for all foreign branches of U.S. banks, regardless of charter type, on behalf of the U.S. banks' primary federal bank regulatory agency (Board, Federal Deposit Insurance Corporation (FDIC), or Office of the Comptroller of the Currency (OCC) (collectively the agencies)). The agencies use the FFIEC 030 and FFIEC 030S reports to fulfill their statutory obligation to supervise foreign operations of domestic banks. Each of the agencies separately clears the reports pursuant to the Paperwork Reduction Act, including with regard to estimating respondent burden, for U.S. banks under their supervision. The Board understands that the FDIC and the OCC are each submitting a similar request for OMB review for U.S. banks under their supervision.

The agencies propose to revise the FFIEC 030 report by changing the instructions for certain items to eliminate inconsistencies and to incorporate accounting changes related to Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13). Additionally, the agencies propose to revise the FFIEC 030S report to incorporate the effects of certain changes to the FFIEC 030 that are referenced in the FFIEC 030S instructions. The current annual reporting burden for the FFIEC 030 and FFIEC 030S is estimated to be 380 hours and would remain unchanged with the proposed revisions.

Background and Justification

The FFIEC 030 and FFIEC 030S reports collect information on the structure and geographic distribution of foreign branch assets and liabilities. The agencies use this information to plan examinations and to analyze the foreign operations of U.S. banks, in connection with the agencies' statutory responsibility to assess the safety and soundness of the U.S. banks that they supervise. The information collected by the FFIEC 030 and FFIEC 030S reports allows the agencies to measure growth trends by bank, by country, and by bank within country. Additionally, aggregate data that is publicly released by the agencies are a useful source of information on U.S. bank activities for the general public. This series of data collected by these

reports is the oldest statistical series that exists for foreign branches of U.S. banks and is an important source for measuring the growth of these offices.

The FFIEC 030 is the only report through which the agencies collect balance sheet information on foreign branches of U.S. banks. The Board uses another report, the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079), to collect less detailed balance sheet information from parent institutions of foreign branches or subsidiaries (specifically, those with total assets of \$500 million or more). The FR 2502q report collects only gross assets and liabilities by the country of the principal address of the customer, rather than the type of assets and liabilities of the branch. Although the FR 2502q does not provide comparable information, the Board may check the FFIEC 030 to verify that individual branches that report total assets greater than or equal to \$500 million also report on the FR 2502q.

Description of Information Collection

The FFIEC 030 is a two-page report that collects balance sheet information on all foreign branches of U.S. banks, regardless of the size of the branch. Each data item of the FFIEC 030 relates directly to one or more data items on the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (Call Report) (FFIEC 031; OMB No. 7100-0036); no additional information is requested.

U.S. banks must file the report quarterly for foreign branches with total assets of at least \$2 billion or commitments to purchase foreign currencies and U.S. dollar exchange of at least \$5 billion (significant branches) and annually for all other foreign branches with total assets of more than \$250 million. Reporters may choose to file one consolidated report for all their branches located in the same foreign country; however, reporters are not permitted to consolidate data for significant branches with data for any other branches.

The FFIEC 030S is an abbreviated reporting form containing five data items that branches with total assets between \$50 million and \$250 million file annually. These data items are the minimum information needed to serve as indicators of higher business volume, risk, and complexity in small-sized foreign branches. The reported information also is used to monitor potential developments that may pose risks to the overall operations of the parent bank. Branches with total assets of less than \$50 million that do not meet the requirements to file the FFIEC 030 quarterly are exempt from the filing requirements.

Proposed Revisions

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 propose to 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 propose to 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 that is reported elsewhere on the balance sheet as part of the related financial asset’s amortized cost.

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 propose to 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.

FFIEC 030S Financial Data

Branches that file the FFIEC 030S 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 proposed revisions to the instructions for FFIEC 030 Liabilities item 16, described above, would carry over to FFIEC 030S item 3.

Time Schedule for Information Collection

The FFIEC 030 and FFIEC 030S are collected annually as of December 31 from U.S. banks with one or more branch offices in a foreign country and quarterly from U.S. banks with significant branches as of the last calendar day of March, June, September, and December. The FFIEC 030 and FFIEC 030S must be submitted within forty-five days of the report date by qualifying U.S. banks, regardless of charter type, to the Federal Reserve Bank in the district in which the U.S. bank’s main office is located. The Federal Reserve then compiles the reported information and makes it available to the FDIC and the OCC four months after the as-of date for both quarterly and annual reporters. Aggregate data are published in the Federal Reserve Annual Report and the Department of Commerce’s Annual Statistical Digest. The individual responses are confidential.

Legal Status

The Board is authorized to collect the information contained on the FFIEC 030 and FFIEC 030S reports from state member banks under sections 9(3), 9(6) and 25(4) of the Federal

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

Reserve Act (12 U.S.C. 321, 324, and 602). The obligation to respond is mandatory for U.S. institutions with a foreign branch that has \$50 million or more in total assets.

The information that is required to be provided on the FFIEC 030 and FFIEC 030S reports is collected as part of the Board's supervisory process. Accordingly, such information is afforded confidential treatment under exemption 8 of the Freedom of Information Act (FOIA), which protects information from disclosure that is contained in or related to the examination or supervision of a financial institution (5 U.S.C. 552(b)(8)). In addition, publicly disclosing data submitted by an individual respondent would likely cause substantial harm to the competitive position of that respondent. Accordingly, such information may be withheld under exemption 4 of the FOIA (5 U.S.C. 552(b)(4)). In limited circumstances, aggregate data for multiple respondents, which does not reveal the identity of any individual respondent, may be released.

Public Comments and Response

On September 28, 2018, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (83 FR 49160) requesting public comment for 60 days on the extension, with revision, of the FFIEC 030 and FFIEC 030S. The comment period for this notice expired on November 27, 2018. No comments were received on the FFIEC 030 and FFIEC 030S and the agencies will proceed with the revisions as originally proposed. On February 14, 2019, the agencies published a final notice in the *Federal Register* (84 FR 4131).

Consultation outside the Agency

There has been no consultation outside of the Federal Reserve System.

Estimate of Respondent Burden

The current total annual reporting burden associated with the FFIEC 030 and FFIEC 030S for U.S. banks supervised by the Board is estimated to be 380 hours, and would remain unchanged with the proposed revisions. The total annual burden represents less than 1 percent of the total Federal Reserve System paperwork burden.

FFIEC 030 and FFIEC 030S	<i>Number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FFIEC 030				
Annual (branches)	14	1	3.4	48
Quarterly (branches)	24	4	3.4	326
FFIEC 030S				
Annual (branches)	11	1	0.5	<u>6</u>
<i>Total</i>				<u>380</u>

The total cost to the public is estimated to be \$21,299.³

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimated Cost to the Federal Reserve System

The annual cost to the Federal Reserve System for collecting and processing the FFIEC 030 is estimated to be \$30,300 and FFIEC 030S is estimated to be \$4,900. The Federal Reserve System collects and processes the data for all three of the agencies.

² Of these respondents, 18 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.

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/.