

**SUPPORTING STATEMENT  
COUNTRY EXPOSURE REPORT  
(OMB No. 3064-0017)**

**INTRODUCTION**

Under the auspices of the Federal Financial Institutions Examination Council (FFIEC), the FDIC is requesting OMB approval to extend for three years, with revision, the quarterly Country Exposure Report (form FFIEC 009) and the Country Exposure Information Report (form FFIEC 009a). These reports provide information regarding the amounts and composition, by country, of the foreign country exposures of U.S. banking institutions. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting this revision for OMB review for the banking institutions under their supervision.

This reporting and disclosure requirement is authorized by Sections 7 and 10 of the Federal Deposit Insurance Act (12 U.S.C. 1817 and 1820) and Sections 907(a) and (b) of the International Lending Supervision Act of 1983 (12 U.S.C. 3906(a) and (b)), as implemented by Section 347.305 of the FDIC's regulations (12 CFR 347.305), which requires FDIC-supervised banking institutions to submit quarterly reports to the FDIC and to disclose to the public material country exposures.

The federal banking agencies are proposing to modify the country exposure reporting requirements effective September 30, 2016, to (1) have institutions provide their Legal Entity Identifier (LEI) on the FFIEC 009 and FFIEC 009a reporting forms, only if they already have an LEI, and (2) add Intermediate Holding Companies (IHCs) to the FRB's respondent panel. This latter proposed revision is not applicable to the FDIC or to FDIC-supervised institutions. The agencies are not proposing to revise the country exposure information required to be reported on the FFIEC 009 or the FFIEC 009a reporting forms.

**A. JUSTIFICATION**

**1. Circumstances and Need**

Pursuant to Section 907 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906), banking institutions must report at least quarterly the amount and composition of their foreign country exposures. This information is crucial in determining (and monitoring) the soundness of the reporting institution as well as the U.S. banking system. A number of borrowers in foreign countries have experienced difficulties in paying the loans granted to them by U.S. banking institutions. This inability to pay or delays in repayment can impair a banking institution's liquidity; affect an institution's market rating and acceptability and, thus, its access to and cost of funding and capital; and affect an institution's earnings.

The Country Exposure Report has been required of U.S. banking institutions since 1979. Since 1984 the report has been collected on a quarterly basis. Periodically, the federal banking

agencies jointly, under the auspices of the FFIEC, make revisions to the report to improve the agencies' ability to determine and monitor the soundness of U.S. banking institutions. FDIC-supervised banking institutions submit their reports under the provisions of Section 347.305 of the FDIC's Regulation (12 CFR 347.305).

The Country Exposure Report (form FFIEC 009) is the only method the federal banking agencies have to systematically monitor the foreign country exposures of U.S. banking institutions in individual foreign countries. In February 1984, the FFIEC sanctioned collection of the supplementary Country Exposure Information Report (form FFIEC 009a) to implement the public disclosure requirements of the International Lending Supervision Act of 1983. The reports are required to be submitted to the federal banking agencies by (a) insured banks and savings associations that have foreign offices or an international banking facility (IBF) and have claims on residents of foreign countries of more than \$30 million, (b) certain bank and savings and loan holding companies, and (c) such other banks, savings associations, and holding companies with country exposure that is large relative to capital, as determined by the agencies. This proposal would extend the country exposure reporting requirements to IHCs supervised by the FRB.

This proposal also calls for institutions to provide their Legal Entity Identifier (LEI) on the FFIEC 009 and FFIEC 009a reporting forms, only if they already have an LEI. Regulators and market participants have recognized the importance of the LEI as a key improvement in financial data systems. The LEI system, which was endorsed by the G-20 nations in 2012, is designed to facilitate several financial stability objectives, including the provision of higher quality and more accurate financial data. In pursuit of these objectives in the United States, the Financial Stability Oversight Council has recommended that its member agencies, including the federal banking agencies, promote the use of the LEI in reporting requirements and rulemakings, where appropriate.

Looking back in time, the nature of U.S. banking institutions' exposure abroad has shifted considerably since the FFIEC 009 report was first introduced more than 30 years ago, and previous revisions have not kept pace with those changes. Initially, the federal banking agencies' primary concern focused on the possibility of sizeable losses to U.S. banking institutions from foreign exposure to sovereigns and banks in Latin America, especially as a result of the imposition of exchange controls that would prevent repayment of credits originated in the U.S. Accordingly, reporting was limited to three categories of claims: "public," "banks," and "other," with the last category including all corporate and retail credits. Since then, U.S. banking institutions have significantly increased their exposure to the private non-bank sectors of economies around the world, increasing the possibility that losses could occur even in the absence of a sovereign default or the imposition of exchange controls.

As a result of the financial crisis in 2008 and 2009, it became evident that the level of detail provided in the FFIEC 009 report as it was then in existence was insufficient to capture the evolving risks from U.S. banking institutions' foreign exposures. In response, the agencies implemented improvements to the reporting of foreign exposure data by U.S. banking institutions on the FFIEC 009 and FFIEC 009a reports. In broad terms, these revisions increased the number of counterparty categories, added information on the type of claim being reported,

provided details on a limited number of risk mitigants to help provide perspective to the gross exposure numbers being reported, added more detailed reporting of credit derivatives, and added the United States as a country row to allow reconciliation between a reporting institution's FFIEC 009 report and its Consolidated Financial Statements for Bank Holding Companies<sup>1</sup> or Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices,<sup>2</sup> as appropriate, and expanded the entities that must report to include savings and loan holding companies (SLHCs). The changes were designed to improve the utility of the data for policy makers, bank supervisors, and market participants. These revisions took effect December 31, 2013, except that the effective date for SLHC respondents to begin filing the FFIEC 009 and FFIEC 009a report forms was March 31, 2014.

## 2. Use of Information Collected

On the currently approved versions of the Country Exposure Report (form FFIEC 009), outstanding claims are broken down by type of borrower, i.e., banks, public sector, corporate, household, and non-bank financial institutions. This disaggregation allows supervisors to analyze risks by counterparty type. Outstanding claims with a remaining maturity of one year or less are also reported on the FFIEC 009. The existing FFIEC 009 reporting form provides a methodology to reallocate guaranteed obligations to the country of the guarantor to facilitate identification of the country of residence of the party with ultimate responsibility for the obligation.

Data reported on the FFIEC 009 on collateral held against claims provides information for supervisors to assess net risks based on their assumptions about the benefits of the collateral, and also produces insight into reporting institutions' own internal calculations of foreign country exposure, which typically take collateral into account.

The FFIEC 009 report also requests data on firm commitments of banks to advance additional funds in countries covered by the report, local currency assets and liabilities of bank branches in those countries, exposures covered by U.S. government guarantees, the funding relationship of the bank's other branch offices vis-a-vis offices in those countries, and foreign exchange and derivative products with a positive fair value. Data on gross credit derivatives purchased and sold also are collected along with a conservatively netted (i.e., at the counterparty and reference entity level) version of credit derivatives purchased and sold. These data provide a more complete view of a reporting institution's credit derivative exposures.

The data reported on the FFIEC 009 serve an important purpose by ensuring consistency of reporting across institutions for a number of important components of foreign country exposure. These data improve supervisors' ability to compare the amount of one institution's exposures to those of its peers for a country or set of countries, analyze the aggregate exposure of U.S. banking institutions to foreign obligors, and monitor trends in exposures.

Thus, the Country Exposure Report is used to analyze trends in overseas lending and other extensions of credit by individual U.S. banking institutions and the U.S. banking system as a

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<sup>1</sup> FR Y-9C; OMB No. 7100-0128.

<sup>2</sup> Call Report; FFIEC 031; OMB Nos. 7100-0036, 3064-0052, 1557-0081.

whole. The data can be used as a preliminary indicator of relative levels of risk undertaken by the individual banking institutions that file these reports and serve as a crucial tool in the examination process of these institutions. The reported data are essential for research, risk management supervision, and policy formulation within the banking agencies. Furthermore, the inclusion of the United States as a country for which exposures are reported in the FFIEC 009 report, which took effect December 31, 2013, enables an institution to reconcile the amounts reported on this report to those reported on its FR Y-9C report or Call Report (FFIEC 031), as appropriate, which includes exposures to U.S. obligors. This information enhances the agencies' ability to conduct effective analysis of foreign and domestic exposures.

On behalf of the three banking agencies, the FRB makes the reported country exposure information available, in aggregate form, to the Bank for International Settlements (BIS), Basel, Switzerland. The BIS periodically issues statistical data on the overall indebtedness of various countries throughout the world. The data abstracted from the Country Exposure Report are uniquely valuable to the BIS since they provide insights on short-term indebtedness of various countries (including that portion owed to U.S. banking institutions) which are not ordinarily available from the country. The BIS also compiles and publishes international banking statistics on banks' risk exposures including, in particular, country risk. With the inclusion of the United States, the data reported on the FFIEC 009 enables the U.S. banking agencies to provide the BIS with the statistical data it needs for U.S. banking institutions. BIS data are utilized by a number of banks, governments, and analysts in determining the total debt burden of various countries.

The Country Exposure Information Report (form FFIEC 009a) collects data on exposures exceeding certain thresholds. Included in Part A are exposures to a country which exceed the lesser of 1 percent of the respondent bank's assets or 20 percent of capital. Included in Part B are exposures, not large enough to report in Part A, but which exceed the lesser of 0.75 percent of assets or 15 percent of capital. The respondent bank needs only to list the names of the countries and the aggregate amount of exposure for all the countries listed under Part B. The form FFIEC 009a is available to the public. The FFIEC 009a data allow market participants to analyze exposure data to individual countries where the aggregate amount is significant.

### 3. Use of Technology to Reduce Burden

Effective with the March 31, 2003, report date, the FFIEC required electronic submission of all FFIEC 009 and 009a reports. The Federal Reserve Bank of New York currently collects and processes the FFIEC 009 and 009a reports on behalf of the three banking agencies via the Federal Reserve System's "Reporting Central" Internet reporting application. The overall reporting functionality of "Reporting Central" allowing for a secure, technically advanced, and efficient data collection and processing system that encompasses a single point of entry, i.e., the FedLine® Web access solution, for electronic submission and file uploads.

Electronic submission via "Reporting Central" is designed to impose a minimal burden on banking institutions that file the FFIEC 009 and FFIEC 009a reports.

#### 4. Efforts to Identify Duplication

Data submitted on the FFIEC 009 and the FFIEC 009a are unique in that they are used for supervising international risk exposures in U.S. banking institutions. The U.S. Treasury Department collects certain information from U.S. banking institutions in its Treasury International Capital (TIC) Form BC/BC(A) that may appear somewhat similar to the data collected on the FFIEC 009 and the FFIEC 009a. In general, the TIC report is required for any banking institution with aggregate dollar claims on foreigners of \$50 million or more or dollar claims on foreigners in an individual foreign country of \$25 million or more. However, the TIC form does not contain most of the items included in the Country Exposure Report that are considered necessary for supervisory and regulatory purposes. For example, the TIC form includes only dollar claims while the Country Exposure Report calls for inclusion of all claims in a country denominated in a currency external to that country. In addition, the TIC form does not collect information on exposures with a remaining maturity of one year or less, the reallocation of claims for guarantees, commitments to advance additional funds, and local currency assets and liabilities. Finally, the TIC form does not include claims on foreigners made at overseas offices of U.S. banking institutions. These limitations preclude the use of the Treasury information for banking institution supervisory purposes.

#### 5. Minimizing the Burden on Small Banks

Banking institutions with aggregate international exposures of under \$30 million do not have to report. Therefore, the FDIC has, in effect, eliminated virtually all small banks from this reporting requirement. Currently, only 17 institutions supervised by the FDIC are subject to the quarterly country exposure reporting requirements.

#### 6. Consequence of Less Frequent Collection

Federal statute precludes less frequent collection and disclosure.

#### 7. Special Circumstances

None.

#### 8. Consultation with Persons Outside the FDIC

The Country Exposure Report and Country Exposure Information Report are mandated by law; however, the FDIC and the other banking agencies communicate on a continuous basis with banking institutions required to complete the reports. The banking agencies also consult with trade associations and other government agencies on the reports.

On April 14, 2016, the agencies published an initial Paperwork Reduction Act (PRA) notice in the Federal Register (81 FR 22163) requesting comment on a proposal to revise the Country Exposure Report (FFIEC 009) and the Country Exposure Information Report (FFIEC 009a) effective September 30, 2016, to (1) have institutions provide their LEI on both reporting forms,

only if they already have an LEI, and (2) add Intermediate Holding Companies (IHCs) to the FRB's respondent panel. The comment period for this notice expired on June 13, 2016.

The agencies received one comment letter from a bankers' association indicating that it would submit data on certain divergent reporting practices observed across institutions with respect to the FFIEC 009 and FFIEC 009a in a supplemental submission. The letter did not comment on either of the changes proposed by the agencies. Any forthcoming data and comments on the FFIEC 009 and FFIEC 009a reporting requirements from this association would be considered for possible inclusion in a separate future notice of agency information collection activities. Thus, this request for OMB for review and approval of the extension, with revision, of the FFIEC 009 and FFIEC 009a incorporates only the two changes proposed in the agencies' April 14, 2016, initial PRA Federal notice.

#### 9. Payment or Gift to Respondents

None.

#### 10. Confidentiality

Individual banking institution information reported on the FFIEC 009 report is considered exempt from public disclosure under the FOIA (5 U.S.C. 552(b)(4) and (b)(8)). However, U.S. banking system aggregates are made available to the public by the banking agencies and through the FFIEC. The FFIEC 009a report is available to the public on an individual banking institution basis.

#### 11. Information of a Sensitive Nature

Not applicable.

#### 12. Estimate of Annual Burden

The annual reporting burden on FDIC-supervised respondents is estimated to be 9,124 hours on an ongoing basis. This estimate reflects the average ongoing reporting burden for all FDIC-supervision institutions that are required to file the FFIEC 009 and FFIEC 009s reports. The proposal to have institutions provide their LEI on both reporting forms, only if they already have an LEI, is expected to have a negligible effect on reporting burden. This estimate is based on 17 respondents submitting the FFIEC 009 report quarterly, which requires an estimated average of 131 hours to prepare as it is proposed to be revised, and 9 respondents submitting the FFIEC 009a report quarterly, which requires an estimated average of 6 hours to prepare as it is proposed to be revised.

FFIEC 009:	17 respondents x 4 reports per year x 131 hours per report = 8,908 hours
FFIEC 009a:	9 respondents x 4 reports per year x 6 hours per report = <u>216 hours</u>
Annual estimated ongoing reporting burden:	9,124 hours

For FDIC-insured institutions with foreign offices, Call Report data as of December 31, 2015, indicate that salaries and employee benefits per full-time equivalent employee currently average nearly \$49.50 per hour. Thus, for the FDIC-supervised institutions required to complete the FFIEC 009 and FFIEC 009a reports, the annual recurring salary and employee benefit cost for the burden hours shown above is estimated to be \$451,638. This cost is based on the application of the \$49.50 average hourly rate to the estimated total ongoing annual reporting burden of 9,124 hours.

#### 13. Estimate of Total Annual Cost Burden

The estimate of annual reporting burden cited above in Item 12 is the estimated ongoing burden for the quarterly filing of the FFIEC 009 and FFIEC 009a reports. The total operation and maintenance and purchase of services component of the total annual cost burden to FDIC-supervised institutions (excluding costs included in Item 12 above) is estimated to be \$260,034. This cost is based on the application of an average hourly rate of \$28.50 to the estimated total hours of estimated annual reporting burden of 9,124. This estimate reflects recurring expenses (not included in Item 12 above) incurred by FDIC-supervised institutions subject to the country exposure reporting requirements in the report preparation and filing process, including expenses associated with software, data processing, and institution records that are not used internally for management purposes but are necessary to complete the FFIEC 009 and FFIEC 009a reports.

Capital and start-up costs associated with the proposed changes to the FFIEC 009 and FFIEC 009a reports that are the subject of this submission are expected to be negligible. An institution that does not have an LEI would not be required to obtain one for purposes of reporting it on the FFIEC 009 and FFIEC 009a.

#### 14. Estimates of Annualized Cost to the Federal Government

The Federal Reserve Bank of New York collects and processes the FFIEC 009 and 009a reports on behalf of the three banking agencies. Since the March 31, 2012, report date, submission of reports has been via the Federal Reserve System’s “Reporting Central” application. Therefore, there are no direct costs to the FDIC.

#### 15. Reason for Change in Burden

There is no change in burden associated with this submission. The agencies are not proposing to revise the country exposure information required to be reported on the FFIEC 009 or the FFIEC 009a reporting forms. As previously stated, the proposal to have institutions provide their LEI on the FFIEC 009 and the FFIEC 009a reporting forms, only if they already have an LEI, is expected to have a negligible effect on reporting burden. In addition, there is no change in the number of FDIC-supervised institutions subject to the country exposure reporting requirements.

#### 16. Publication

Certain aggregate data reported in the FFIEC 009 report are made available to the public by the FFIEC in a quarterly Statistical Release. This aggregate information is available to banks,

government agencies, and the public. The quarterly FFIEC 009a report is available to the public on an individual banking institution basis. The Statistical Release and individual institutions' FFIEC 009a reports can be accessed at <https://www.ffiec.gov/E16.htm>.

**17. Display of Expiration Date**

Not applicable.

**18. Exceptions to Certification**

None.

**B. STATISTICAL METHODS**

Not applicable.