

**Supporting Statement for the
Senior Credit Officer Opinion Survey on Dealer Financing Terms
(FR 2034; OMB No. 7100-0325)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, without revision, the Senior Credit Officer Opinion Survey on Dealer Financing Terms (SCOOS) (FR 2034; OMB No. 7100-0325).¹ This survey collects qualitative and limited quantitative information from senior credit officers at responding financial institutions on (1) stringency of credit terms, (2) credit availability and demand across the entire range of securities financing and over-the-counter derivatives transactions, and (3) the evolution of market conditions and conventions applicable to such activities. The FR 2034 survey will be conducted quarterly, along with the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058). The survey contains 79 core questions divided into three broad sections, as well as additional questions on topics of timely interest.

Given the Board's interest in financial stability, the information this survey collects is critical to the monitoring of credit markets and capital market activity. Information from the survey is also considered by the FOMC as it sets monetary policy. Aggregate survey results are made available to the public on the Board's website.² In addition, selected aggregate survey results may be discussed in Governor's speeches and may be published in *Federal Reserve Bulletin* articles and in the annual Monetary Policy Report to the Congress.

The current reporting panel consists of up to 25 U.S. banking institutions and U.S. branches and agencies of foreign banks, the majority of which are affiliated with a Primary Government Securities Dealer;³ however, other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed when appropriate. The estimated total annual burden for the FR 2034 is 500 hours.

Background and Justification

The FR 2034 survey is modeled after the long-established Senior Loan Officer Opinion

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.

² See <https://www.federalreserve.gov/data/scoos.htm>.

³ A list of the current Primary Dealers in Government Securities is available at <https://www.newyorkfed.org/markets/primarydealers.html>.

Survey on Bank Lending Practices (FR 2018), which provides qualitative information on changes in the supply of, and demand for, bank loans to businesses and households. The information obtained from the FR 2018, which has been conducted in different forms since 1964, provides valuable insights on developments in the credit market and banking developments and informs the formulation of monetary policy.

This information has been particularly valuable in recent years because it has provided the Board with insight into the effects of financial conditions on the availability of credit to households and businesses. However, the global financial crisis highlighted that a significant volume of credit intermediation has moved outside of the traditional banking sector, which is the primary focus of the FR 2018. In addition, some of the instruments that are commonly used in connection with such intermediation (including for the financing of securities positions and over-the-counter derivatives) may have functioned as transmission mechanisms for financial distress during the crisis by connecting together seemingly separate parts of the financial system. For these reasons, the monetary policy responsibilities of the Board and the Board's role in promoting and maintaining the stability of the financial system,⁴ the Board decided to expand the collection of qualitative information on the availability of credit and leverage beyond the traditional banking sector to the extension of credit by dealers.⁵

On March 30, 2010, the Federal Reserve implemented FR 2034 to facilitate the regular collection and analysis of information representing the informed judgment of market participants on these additional forms of credit extension. Unlike the large domestically-chartered commercial banks and branches and agencies of foreign banks that make up the pool of respondents targeted by the FR 2018, this survey targets respondents of a different and smaller subset of market participants, representing activities not conducted solely in a bank, but in several different legal entities, focused on the consolidated entity.

Description of Information Collection

The questions on the Senior Credit Officer Opinion Survey are mainly qualitative in nature. They are intended to elicit useful information without imposing an undue reporting burden and do not request information that is collected through other means. To understand certain market conventions and practices, however, the Board may occasionally need to ask specific quantitative questions. When quantitative information is requested in response to special questions, respondents may be asked to provide approximate or rough estimates.

The survey contains 79 core questions divided into three broad sections. The first section focuses on credit terms applicable to counterparties of different types, spanning a variety of different transactions. The second section contains credit terms applicable to over-the-counter derivatives counterparties, distinguishing among contracts referencing different underlying assets. The third section deals with information about the financing terms provided for certain

⁴ For example, as a member of the Financial Stability Board formed at the behest of the G-20 Finance Ministers and Central Bank Governors.

⁵ The Group of Twenty (G-20) consists of finance ministers and central bank governors from 19 systemically important industrial and developing countries plus the European Union, who convene regularly to consider key issues related to global economic stability.

security positions. In addition, a small number of non-recurring questions relating to current developments in credit and capital markets are generally asked. The survey is conducted through a web interface designed and maintained by the Statistics Function of the Federal Reserve Bank of New York, with follow-up as necessary via telephone. The primary contact at each responding institution is a senior credit officer who has perspective on all relevant activities conducted by the institution.

Respondent Panel

The activities that are the focus of the adopted Senior Credit Officer Opinion Survey may be conducted by large financial institutions through multiple business units. For example, a significant volume of securities financing may be conducted from a prime brokerage platform, but this does not preclude similar activities from also occurring on trading desks in order to make markets in the securities being financed or on centralized securities financing desks. Similarly, over-the-counter derivative transactions may occur on dedicated equity volatility or interest rate derivatives desks that are primarily engaged in derivatives transactions, but also may occur in entities that trade both derivatives and cash such as corporate credit or commodities units.

The panel of up to 25 firms includes, with respect to respondents that are primary dealers, the consolidated entities affiliated thereof. Respondents may also include institutions that, while not primary dealers, play a significant role in over-the-counter derivatives or securities financing activities.

Time Schedule for Information Collection and Publication

The FR 2034 is voluntary. The survey is conducted once each quarter by the Statistics Function of the Federal Reserve Bank of New York. The Statistics Function electronically transmits the survey responses to the Board, where the data are tabulated and summarized in a public release, which is made available on the Board's website. In addition, selected aggregate survey results may be discussed in Governor's speeches, and may be published in *Federal Reserve Bulletin* articles and in the annual Monetary Policy Report to the Congress.

Legal Status

The FR 2034 is authorized pursuant to sections 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires that the Board and the Federal Open Market Committee (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). 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 2034 to help fulfill these obligations. The FR 2034 is voluntary.

Information collected on the FR 2034 is granted confidential treatment under exemption (b)(4) of the Freedom of Information Act (5 U.S.C. § 552(b)(4)), which protects from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential.”

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On April 17, 2019, the Board published an initial notice in the *Federal Register* (84 FR 16014) requesting public comment for 60 days on the extension, without revision, of the FR 2034. The comment period for this notice expired on June 17, 2019. The Board did not receive any comments. On July 19, 2019, the Board published a final notice in the *Federal Register* (84 FR 34890).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2034 is 500 hours. Actual respondent burden for this survey would likely vary depending on how many of the authorized surveys are actually carried out and on the specific content of each questionnaire.⁶ These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FR 2034	<i>Estimated number of respondents⁷</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	25	4	5	500

The estimated total annual cost to the public for this collection of information is \$28,800.⁸

Sensitive Questions

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

⁶ Actual burden underlying the average assumed five 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.

⁷ 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/content/small-business-size-standards.

⁸ 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 \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018, published March 29, 2019 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this survey is \$84,200.