

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

Summary

For all information collections that involve surveys or require a statistical methodology, the Board of Governors of the Federal Reserve System (Board) is required to provide a complete justification and explanation of the use of the methodology. For collections that employ surveys without a statistical methodology, the Board should be prepared to justify its decision not to use statistical methods in any case in which such methods might reduce burden or improve accuracy of results.

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.

Background

The FR 2034 survey is modeled after the long-established Senior Loan Officer Opinion 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,¹ 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.²

¹ For example, as a member of the Financial Stability Board formed at the behest of the G-20 Finance Ministers and Central Bank Governors.

² The Group of Twenty (G-20) consists of finance ministers and central bank governors from 19 systemically

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.

Universe and Respondent Selection

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.

Procedures for Collecting Information

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.

Methods to Maximize Response

A respondent may decline to answer a particular question when answering would entail excessive burden. Experience has shown that only a small number of respondents decline to answer any particular question. Response rates overall have been high and resulted in adequate and informative answers.

Testing of Procedures

None.

important industrial and developing countries plus the European Union, who convene regularly to consider key issues related to global economic stability.