Supporting Statement
OMB Control No. 1557-0100
(MA) - Country Exposure Report and Country Exposure Information Report
(FFIEC Forms 009 and 009a)

A. Justification

1. Circumstances that make the collection necessary:

The OCC, in conjunction with the other Federal banking supervisory agencies, pursuant to section 907 of the International Lending Supervision Act of 1983 (Title 9, Pub. L. 98-181, 97 Stat, 1153) and 12 CFR 28, requires national banks to report quarterly, their exposures in foreign countries and to provide information regarding material exposures in foreign countries.

This information is critical in determining and monitoring the soundness of national banks, state-chartered banks and banking organizations conducting business worldwide. A number of borrowers in other countries have experienced difficulties in paying the loans granted to them by U.S. national banks. This inability to pay, or a delay in repayment, can impair a bank's liquidity, affect a bank's market rating and acceptability, and thus, adversely affect its access to and cost of funding and capital, and can affect a bank's earnings.

2. Purpose and Use of the Information Collection:

The Country Exposure Report (FFIEC 009) is used by the OCC to monitor overseas exposure of U.S. banks in individual countries. The OCC and the other Federal financial institutions regulators (the agencies) use the report to analyze trends in overseas lending by individual U.S. banks and the U.S. banking system as a whole. The data are preliminary indicators of relative levels of risk undertaken by individual banks and serve as a crucial tool in the examination process. The reported data are essential for research, bank supervision and policy formulation within the agencies.

The Federal Reserve Board makes this information available in aggregate form to the Bank for International Settlements (BIS). The BIS periodically issues 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 it provides insight on short-term indebtedness of various countries owed to U.S. banks, which is not available from other sources. BIS data are utilized by banks, governments, and analysts in determining the total debt burden of various countries. The Federal Financial Institutions Examination Council (FFIEC) issues a quarterly release, which displays the aggregate amounts reported by respondent banks. This information is used by banks, government agencies, and analysts.

The Country Exposure Information Report (FFIEC 009a) is used by the OCC for examination purposes. Further, the information is disclosed to the public via the FFIEC's Internet Website (http://www.ffiec.gov/E16.htm) and on request. This information provides bank depositors, other creditors, and investors a better understanding of an individual national bank's foreign exposures.

3. Consideration of the use of improved information technology:

These reports are collected and processed by the Board on behalf of the agencies via the Federal Reserve System's Internet Electronic Submission (IESUB) system. Electronic filing capability via IESUB is available on the Internet through the use of data entry or a file transfer feature. These methods are secure and result in a minimal burden to banks and bank holding companies. The agencies no longer accept paper (hard copy) reports from banks and bank holding companies.

4. Efforts to Identify Duplication and Use of Similar Information:

The data are unique. They are not otherwise collected.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden:

The collections of information do not impact small banks or other small entities. Banks with aggregate international exposures of under $30 million are not required to file either report. Therefore, small banks are not affected by these requirements.

6. Consequences of Collecting the Information Less Frequently:

Federal statutes preclude less frequent reporting and disclosure. Further, since the information is used for bank supervisory purposes and for persons to make financial decisions, stale information would have much less practical utility to the users of the information.

7. Special Circumstances Relating to the Guidelines in 5 CFR 1320:

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency:

On April 29, 2019, the agencies published a notice in the **Federal Register** (84 FR 18130) for 60 days of comment concerning the collection. One comment was received. The commenter, a banking trade association, raised issues related to consistency in certain defined terms and reporting treatments between the FFIEC 009 and FFIEC 009a, and other information collections undertaken by the FFIEC, its member entities, and Treasury.

First, the commenter stated that, while the FFIEC 009 and FFIEC 009a instructions define domicile of counterparties on the basis of "country of incorporation or charter," the definition is not uniform across all FFIEC and Board reports. This definition, while consistent with that used in some non-FFIEC reports (i.e., Treasury International Capital or "TIC" reports and the Board's FR Y-15), is inconsistent with the terms "principal business address" and "country in which the obligor is headquartered" used in the Call Report[1] as well as the Board's FR Y-9C and FR Y-14Q. The agencies believe the definition of domicile using "country of incorporation or charter" provides a clearer basis for determination of domicile and a more consistent basis over time for the purposes of the FFIEC 009 and FFIEC 009a, which is designed to provide a more detailed and accurate view of cross-border country exposures than the other reports. Accordingly, the agencies propose to retain the "country of incorporation or charter" definition for reporting the domicile of counterparties in the FFIEC 009 and FFIEC 009a instructions.

Second, the commenter stated the FFIEC 009 and FFIEC 009a instructions, in defining financial institutions for sector reporting, include some different categories of institutions in the non-bank financial institutions sector when compared to three Board reports (FR Y-15, FR 2510, and FR Y-9C). The FFIEC 009 instructions specifically include private equity companies, finance companies, and mortgage companies along with other types of institutions in the definition of non-bank financial institutions, while the instructions for the Board's FR Y-15 specifically exclude finance companies and do not mention private equity companies or mortgage companies in the definition of "financial institutions" used in specifying interconnectedness indicators (Schedule B). The agencies note that the definition of non-bank financial institutions in the Board's FR 2510 corresponds to the definition used in the FFIEC 009, and the definition of "non-depository financial institutions" used in the Board's FR Y-9C (Schedule HC-C) includes finance companies, mortgage companies, and mortgage finance companies among other types of institutions. The agencies believe that private equity companies, finance companies, and mortgage companies are meaningful components of the non-bank financial sector for purposes of the FFIEC 009 and that collected data on exposures to these types of companies would be less useful if included together with the corporate sector. The agencies also note that it is important for data collected in the FFIEC 009 to be comparable to data gathered for the same purpose by other jurisdictions, so that these data can be combined by the Bank for International Settlements (BIS) into meaningful global aggregate statistical data that are issued as the BIS Consolidated Banking Statistics (CBS); these aggregate data are relied upon by FFIEC member entities (including the agencies) and many others to monitor and analyze global banking and financial conditions. Under the CBS, these types of companies are defined as being non-bank financial companies like they are in the FFIEC 009 instructions. Therefore, the agencies propose to retain the definition of non-bank financial sector that includes these types of companies.

Third, the commenter stated that, as a result of a recent change in U.S. generally accepted accounting principles (GAAP), the FFIEC 009 and FFIEC 009a would collect operating lease liabilities without capturing corresponding operating lease assets. The commenter considered this treatment to be inappropriately asymmetric and recommended that operating lease liabilities be excluded from reporting on Schedule L of the FFIEC 009. The agencies agree that operating lease right-of-use assets should properly be excluded from reporting on the FFIEC 009, like other fixed assets, but believes that operating lease liabilities are now reportable as liabilities under GAAP, and thus should be included in foreign liabilities for purposes of the FFIEC 009. Unlike financial-statement collections such as the Call Report or the Board's FR Y-9C, the

[1] The Consolidated Reports of Condition and Income, also referred to as the FFIEC 031, FFIEC 041, and FFIEC 051 reports.

FFIEC 009 is designed to collect additional detail for specific types of claims and liabilities and not to reflect a comprehensive and symmetric balance sheet. Therefore, the agencies propose to not exclude operating lease liabilities from Schedule L of the FFIEC 009.

Fourth, the commenter noted that Schedule L of the FFIEC 009 requires reporting of short sales by country of the counterparty to which the foreign office owes delivery until the settlement date. The commenter believed this treatment to be inconsistent with the corresponding treatment in the Board's FR 2510, which provides that the immediate counterparty country and sector for short sale contracts are those of the issuer of the financial instrument that has been sold short. The commenter recommended that the reporting of short sales in Schedule L of the FFIEC 009 should be revised to conform with the treatment provided in the Board's FR 2510. The agencies also note that the reporting of short sales in the Board's FR 2510 is consistent with the BIS guidelines for reporting CBS data ("CBS Guidelines").[2] Therefore, the agencies agree with the commenter and propose to revise the instructions for Schedule L so that reporting of short sales is based on the immediate counterparty and sector of the issuer rather than that of the counterparty to the short-sale transaction.

Fifth, the commenter noted a difference in treatment between the FFIEC 009 and U.S. GAAP for netting trading assets against trading liabilities in the same security (i.e., Committee on Uniform Security Identification Procedures (CUSIP) netting), which could increase the burden on banking organizations required to report the FFIEC 009. To address this concern, the commenter recommended that CUSIP netting for purposes of the FFIEC 009 be aligned with netting permitted under U.S. GAAP to simplify the currently required operational and reconciliation processes. The agencies believe that permitting the use of CUSIP netting for country exposure reporting would potentially distort such reporting in cases in which the office holding the position, the issuer of the underlying security, and the counterparty to the short position are not the same. The agencies also note that it is important for data collected in the FFIEC 009 to be comparable to data gathered for the same purpose by other jurisdictions, so that these data can be combined by the BIS into meaningful global aggregate statistical data as the CBS. Permitting the use of CUSIP netting for U.S. banking organizations in the FFIEC 009 would create a key inconsistency between U.S. data and data provided by other jurisdictions which adhere to International Financial Reporting Standards (IFRS) because IFRS does not allow for CUSIP netting. Therefore, the agencies propose to retain the current, more limited use of CUSIP netting in the FFIEC 009.

Finally, the commenter suggested that items to be excluded under Schedule C and Schedule L of the FFIEC 009 should be more specifically identified and the list of exclusions should be expanded. The commenter recommended that certain cross-border claims (i.e., bank-owned or company-owned life insurance, deferred tax assets, physical commodities held in inventory, initial margin, pension assets, and cash in vault) should be excluded from Schedule C of the FFIEC 009 and that deferred tax liabilities should be excluded from Schedule L.

As a general matter, the agencies believe that the decision to include or exclude items as in Schedule C of the FFIEC 009 should be based on whether the items represent financial claims

[2] BIS, Monetary and Economic Department, Reporting guidelines for the BIS international banking statistics (July 2019) available at https://www.bis.org/statistics/bankstatsguide.pdf

(or, for Schedule L, foreign office financial liabilities) in order to provide a proper and meaningful basis for the agencies to analyze country exposure, and should be consistent with the CBS Guidelines in order that data collected in the FFIEC 009 and FFIEC 009a would be comparable with data being provided to CBS by other jurisdictions.

In this context, the agencies agree with the commenter that bank-owned and company-owned life insurance, physical commodities held in inventory, and pension assets should not be considered financial claims for purposes of the FFIEC 009 and FFIEC 009a. Therefore, the agencies propose to revise the instructions to exclude these items from reporting in the FFIEC 009 and FFIEC 009a by adding them to the list of "Exclude" items in section II.A of the instructions to the FFIEC 009.

The agencies do not agree with the commenter with regard to initial margin because the agencies believe that initial margin represents a financial claim like others related to derivatives. The agencies therefore propose that initial margin should continue to be reported as part of derivative claims in Schedule D.

The agencies believe that cash in vault represents a financial claim and, moreover, that this claim is subject to transfer risk, an important element of the risks that may be associated with cross-border financial claims. As a result, the agencies do not agree with the commenter and propose that cash in vault should continue to be reported in the FFIEC 009 and FFIEC 009a.

Finally, the agencies do not agree with the commenter that deferred tax assets and liabilities are not financial claims. In addition, the agencies note that deferred tax assets and liabilities are specifically identified in the CBS Guidelines as reportable claims (liabilities). Therefore, the agencies propose to retain the current inclusion of deferred tax assets and liabilities among reportable items in the FFIEC 009 and FFIEC 009a.

To provide sufficient time for respondents to make any changes to their reporting systems that may be needed to reflect the agencies' proposed instructional revisions discussed above, the agencies will permit respondents to file the FFIEC 009 and FFIEC 009a for the periods ending September 30, 2019, and December 31, 2019, using either the existing definitions or the revised definitions for the items discussed above.

9. Explanation of Any Payment or Gift to Respondents:

There is no payment/gift to respondents.

10. Assurance of Confidentiality Provided to Respondents:

The FFIEC 009 information collection is given confidential treatment (5 U.S.C. 552(b)(4) and (b)(8)). The FFIEC 009a information collection is not given confidential treatment.

11. Justification for questions of a sensitive nature:

The collection does not contain questions of a sensitive nature.

12. Burden estimate:

Estimated Number of Respondents: 11 (FFIEC 009), 5 (FFIEC 009a).

Estimated Average Time per Response: 131 hours (FFIEC 009), 6 hours (FFIEC 009a).

Estimated Total Annual Burden: 5,764 hours (FFIEC 009), 120 hours (FFIEC 009a).

Cost of Hour Burden:
5,884 hours x $114 per hour = $670,776.

To estimate wages we reviewed May 2018 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities excluding nondepository credit intermediaries (NAICS 5220A1). To estimate compensation costs associated with the rule, we use $114 per hour, which is based on the average of the 90th percentile for nine occupations adjusted for inflation (2.8 percent as of Q1 2019 according to the BLS), plus an additional 33.2 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2018 for NAICS 522: credit intermediation and related activities).

13. Estimates of Other Total Annual Costs to Respondents and/or Recordkeepers:

None.

14. Annualized Cost to the Federal Government:

None.

15. Explain the reasons for any program changes or adjustments in burden:

Current Burden: 8,600 hours.
Proposed Burden: 5,884 hours.
Difference: - 2,716 hours.

The reduction in burden is due to a decrease in the number of respondents.

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

Not applicable.

17. Reason(s) Display of OMB Expiration Date is Inappropriate:

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions:

There are no exceptions to the certification.

B. Collections of Information Employing Statistical Methods

Not applicable.