

**Supporting Statement for the
Reports of Foreign Banking Organizations
(FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

*Prudential Standards for Large Bank Holding Companies,
Savings and Loan Holding Companies, and Foreign Banking Organizations
(Docket No. R-1658; RIN 7100-AF45)*

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, with revision, the Reports of Foreign Banking Organizations (OMB No. 7100-0125). This information collection comprises the following three reports:

- Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations¹ (FR Y-7N),
- Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7NS), and
- Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q).

The FR Y-7N and FR Y-7NS collect financial information for non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company (BHC), financial holding company (FHC), or U.S. bank. FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually predominantly based on asset size thresholds. The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually. The FR Y-7Q is filed quarterly by FBOs that have effectively elected to become U.S. FHCs and by FBOs that have total consolidated assets of \$50 billion or more, regardless of FHC status. All other FBOs file the FR Y-7Q annually.

The Board adopted a final rule that establishes risk-based categories for determining prudential standards for large U.S. banking organizations and foreign banking organizations, consistent with section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), and with the Home Owners' Loan Act (HOLA). The final rule amends certain prudential standards, including standards relating to liquidity, risk management, stress testing, and single-counterparty credit limits, to reflect the risk profile of banking organizations under each category; applies prudential standards to certain large savings and loan holding companies (SLHCs) using the same categories; makes corresponding changes to reporting forms; and makes additional modifications to the Board's company-run stress test and supervisory stress test rules, consistent with section 401 of EGRRCPA. The final rule is effective December 31, 2019. The final rule amended the FR Y-7Q to align with revisions to Regulation YY- Enhanced Prudential Standards (12 CFR 252). Previously, top-tier foreign banking organizations with \$50 billion or more in total consolidated assets were required to report Part 1B - Capital and Asset Information for Top-tier Foreign Banking Organizations with

¹ Excludes nonbanking subsidiaries held through a U.S. bank holding company or U.S. bank subsidiary.

Consolidated Assets of \$50 billion or more. The final rule now requires top-tier foreign banking organizations that are subject to either sections 252.143 or 252.154 of the Board's Regulation YY to report Part 1B. The first as-of date for the amended FR Y-7Q is the next report after the effective date of the final rule. There are no changes to the FR Y-7N or FR Y-7NS.

The current estimated total annual burden for the reports of FBOs is 2,834 hours, and would decrease to 2,444 hours. The adopted revisions would result in a decrease of 390 hours. The forms and instructions for the FR Y-7N, FR Y-7NS, and FR Y-Q are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

The Board implemented the FR Y-7 in January 1972 and required only foreign banks that controlled a U.S. subsidiary bank to file. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

In 2002, the Board revised the FR Y-7 and implemented the FR Y-7Q, FR Y-7N, and FR Y-7NS. Revisions to the FR Y-7 included moving the risk-based capital reporting requirement to the FR Y-7Q and moving the Nonbank Financial Information Summary (NFIS) report, which included data from U.S. nonbank subsidiaries held directly by a foreign parent (i.e., not through a U.S. BHC or U.S. FHC or U.S. bank), to the FR Y-7N or FR Y-7NS.

In December 2013, the Board reduced reporting burden by increasing the asset size thresholds for filing the FR Y-7N and FR Y-7NS annual reports to total assets greater than or equal to \$500 million, but less than \$1 billion and to total assets of at least \$250 million, but less than \$500 million, respectively.

In March 2014, the Board revised the FR Y-7Q to modify the quarterly filing requirements and to add a data item to the reporting form. The respondent panel was modified to require all FBOs with total consolidated assets of \$50 billion or more to begin filing quarterly, effective March 31, 2014, regardless of FHC status. The data item was added to Part 1 to collect the top-tier FBO's total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies.

In December 2014, the Board revised the FR Y-7Q to collect a new data item, total U.S. non-branch assets, to determine whether an FBO meets the threshold for formation of an IHC. This item collects the sum of the total combined U.S. assets of a top-tier FBO's top-tier U.S. domiciled affiliates less its branch and agency assets.

The Federal Reserve System uses information collected on this family of reports to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

Description of the Information Collection

FR Y-7N and FR Y-7NS

The FR Y-7N consists of an income statement and a balance sheet, schedules that collect information on changes in equity capital, changes in allowance for credit losses, off-balance-sheet data items, loans, and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries. Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of at least \$5 billion, as of the end of a quarter. FBOs commence quarterly reporting for these subsidiaries at the end of the quarter in which the subsidiaries meet the significance threshold. The FR Y-7N is filed annually as of December 31 for each individual nonbank subsidiary (that does not meet the criteria for filing quarterly) with total assets of at least \$500 million, but less than \$1 billion.

The FR Y-7NS is an abbreviated reporting form that collects net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-7NS is filed annually as of December 31 by top-tier FBOs for each individual nonbank subsidiary (that does not meet the filing criteria for filing the detailed report) with total assets of at least \$250 million, but less than \$500 million.

FR Y-7Q

The FR Y-7Q collects consolidated capital and asset information from all FBOs. Part 1 of the reporting form currently collects the following information: tier 1 capital; total risk-based capital; risk-weighted assets; total consolidated assets; total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies; and total U.S. non-branch assets. In addition, FBOs that file the FR Y-7Q because of the FHC designation also must provide separate capital schedules on Part 2 of the FR Y-7Q quarterly for each lower-tier FBO operating a branch, agency, Edge or agreement corporation, or commercial lending company in the United States.

The FR Y-7Q is filed quarterly by FBOs if the top-tier FBO or any FBO in its tiered structure has effectively elected to be an FHC and by FBOs with total consolidated assets of \$50 billion or more, regardless of FHC status. The FR Y-7Q is filed annually if the FBO or any FBO in its tiered structure has not effectively elected to be a FHC and the FBO has total consolidated assets of less than \$50 billion.

Adopted Revisions to the FR Y-7Q

The Board adopted a final rule that establishes risk-based categories for determining prudential standards for large U.S. banking organizations and foreign banking organizations, consistent with section 165 of the Dodd-Frank, as amended by the EGRRCPA, and with the HOLA. The final rule amends certain prudential standards, including standards relating to liquidity, risk management, stress testing, and single-counterparty credit limits, to reflect the risk profile of banking organizations under each category; applies prudential standards to certain large savings and loan holding companies using the same categories; makes corresponding changes to reporting forms; and makes additional modifications to the Board's company-run stress test and supervisory stress test rules, consistent with section 401 of EGRRCPA. The final rule is effective December 31, 2019.

The final rule amended the FR Y-7Q to align with revisions to Regulation YY. Previously, top-tier foreign banking organizations with \$50 billion or more in total consolidated assets were required to report Part 1B - Capital and Asset Information for Top-tier Foreign Banking Organizations with Consolidated Assets of \$50 billion or more. The final rule now requires top-tier foreign banking organizations that are subject to either sections 252.143 or 252.154 of the Board's Regulation YY to report Part 1B. Section 252.143 outlines risk-based and leverage capital requirements for foreign banking organizations with total consolidated assets of \$250 billion or more but combined U.S. assets of less than \$100 billion, while section 252.154 describes risk-based and leverage capital requirements for foreign banking organizations with \$100 billion or more in total consolidated assets and combined U.S. assets of \$100 billion or more. The first as-of date for the amended FR Y-7Q is the next report after the effective date of the final rule. There are no changes to the FR Y-7N or FR Y-7NS.

Time Schedule for Information Collection and Publication

FBOs are required to file the FR Y-7N (quarterly or annually) and FR Y-7NS reports 60 days after the report date. All FBOs are required to file the FR Y-7Q within 90 days after the report date. Meeting the thresholds for filing quarterly is self-determined by the respondent and ascertained as of the reporting date. The data from these reports that are not given confidential treatment are available to the public, but are not published routinely.

Legal Status

The FR Y-7N, FR Y-7NS, and FR Y-7Q are authorized by section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(c)) and sections 8(c) and 13 of the IBA (12 U.S.C. §§ 3106(c) and 3108). Section 165 of the Dodd-Frank Act (12 U.S.C. § 5365) directs the Board to establish enhanced prudential standards for certain companies, including certain FBOs. The obligation of covered institutions to report this information is mandatory.

Information disclosed in these reports is collected as part of the Board's supervisory process and may be accorded confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(8)), but information that is required to be disclosed publicly is generally not considered confidential. However, individual respondents may request

that certain data be protected pursuant to exemptions 4 and 6 (5 U.S.C. §§ 552(b)(4) and (6)) of FOIA, where such data relates to trade secrets and financial information, or to personal information, respectively. The applicability of these exemptions would have to be determined on a case-by-case basis.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On November 29, 2018, the Board published a notice of proposed rulemaking for U.S. banking organizations in the *Federal Register* (83 FR 61408) for public comment. The comment period for this notice expired on January 22, 2019. On May 15, 2019, the Board published a notice of proposed rulemaking for foreign banking organizations in the *Federal Register* (84 FR 21988) for public comment. The comment period for this notice expired on June 21, 2019. The Board did not receive any specific comments related to the Paperwork Reduction Act (PRA) analysis. On November 1, 2019, the Board published a final rule in the *Federal Register* (84 FR 59032). The final rule is effective on December 31, 2019.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for this family of reports is 2,834 hours, and would decrease to 2,444 hours with the adopted revisions. The Board estimates that revisions to the FR Y-7Q would not impact the respondent count, but the estimated average hours per response would decrease from 3 hours to 2.25 hours for quarterly filers. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Estimated number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR Y-7N (quarterly)	35	4	7.6	1,064
FR Y-7N (annual)	19	1	7.6	144
FR Y-7NS	22	1	1	22
FR Y-7Q (quarterly)	130	4	3	1,560
FR Y-7Q (annual)	29	1	1.5	<u>44</u>
	<i>Total</i>			2,834
Proposed				
FR Y-7N (quarterly)	35	4	7.6	1,064
FR Y-7N (annual)	19	1	7.6	144
FR Y-7NS	22	1	1	22
FR Y-7Q (quarterly)	130	4	2.25	1,170
FR Y-7Q (annual)	29	1	1.5	<u>44</u>
	<i>Total</i>			2,444
	<i>Change</i>			(390)

The current estimated total annual cost to the public for this information collection is \$163,238 and would decrease to \$140,774 with the adopted revisions.³

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for collecting and processing the FR Y-7N, FR Y-7NS, and FR Y-7Q is estimated to be \$158,800 per year.

² Of the respondents, approximately 1 FR Y-7N (quarterly), 5 FR Y-7N (annually), 22 FR Y-7NS, and 0 FR Y-7Q are estimated to be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets), <https://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 \$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, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Occupational Classification System, <https://www.bls.gov/soc/>.