SUPPORTING STATEMENT
FOREIGN BANKING AND INVESTMENT BY
INSURED STATE NONMEMBER BANKS
(OMB No. 3064-0125)

INTRODUCTION

The FDIC is requesting OMB approval of the three-year extension, without change, of its collection of information entitled “Summary of Deposits” (OMB Control No. 3064-0061).

The annual Summary of Deposits (SOD) survey is completed as of June 30 each year by all FDIC-insured institutions that operate a main office and one or more branch locations. The SOD is a report on the amount of deposits for each authorized office of an insured bank with branches; banks without branches do not report. All data collected on the SOD submission are available to the public. The survey data provides a basis for measuring the competitive impact of bank mergers and has additional use in research in banking. The data is collected electronically or on Form FDIC 8020/05 (7-95), SUMMARY OF DEPOSITS AS OF CLOSE OF BUSINESS JUNE 30. There is no change in the method or substance of the information collection which currently expires on June 30, 2020.

A. JUSTIFICATION

1. **<u>Circumstances that make the collection necessary:</u>**

   There is constant and considerable consolidation within the banking and thrift industries, some of which involves very large banks with many branches. This constant change in banking market structure makes it necessary for the federal bank regulatory agencies to be able to evaluate the effect of the change on bank competition and on the structure of the market itself. Data on the amount of deposits held by each bank and branch office in the United States provides the banking agencies with the information necessary for delineating banking markets and for evaluating the effects on bank competition and market structure of proposed new banks openings or mergers. The FDIC is authorized to collect this data under section 9 (Eighth) of the Federal Deposit Insurance Act (12 U.S.C. 1819) which gives the Corporation the power to require information and reports from banks to carry out its statutory responsibilities regarding bank supervision. The survey has been conducted on a yearly basis since 1972.

2. **<u>Use of the information:</u>**

   The primary use of SOD data is to analyze the antitrust implications of proposed bank mergers and acquisitions and for market share analysis. The major users include the federal banking agencies, the antitrust division of the Department of Justice and the proponents to proposed transactions. In addition, the data is widely used by banks, consulting firms, law firms and others who are involved in various types of banking and thrift analysis.

The FDIC Library, Division of Insurance and Research and the Public Information Center receive a number of requests from outside the FDIC for SOD information. The information is also available directly to the public from the FDIC's website.

3. **Consideration of the use of improved information technology:**

Financial institutions submit the survey to the FDIC electronically using the FFIEC's Central Data Repository web site. The site enables the institution to print worksheets, submit revised branch structure information, and edit SOD data prior to the survey submission. The FDIC continues to implement system enhancements and utilize available tools to ease reporting burden for respondents. In recent years, the FDIC has integrated address standardization and geocoding tools within the Central Data Repository to enhance data quality at the point of entry and to minimize the number of edit failures. Technology and system enhancements will continue to be implemented as practicable going forward.

4. **Efforts to identify duplication:**

There is no other information system that collects deposit data at the individual bank office level. The Consolidated Reports of Condition and Income (Call Report) (OMB No. 3064-0052) collects deposit data at the bank system level (head office and branches combined). Deposit data for banks without branch offices are not collected through the SOD survey and are obtained directly from the Call Report.

5. **Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:**

This information collection does not have a significant impact on a substantial number of small entities. Institutions with no branches (unit banks) do not have to file the SOD survey. The collected information has to be in the same form from all respondents in order to achieve consistency in market structure measurements. However, small banks generally have fewer branches than the larger banks, and consequently the number of pages submitted by small banks tends to be much smaller than the number of pages filed by larger institutions.

6. **Consequences to the Federal program if the collection were conducted less frequently:**

This question was previously considered by the FDIC, and we sought the opinions of the other users of SOD data (the Office of Comptroller of the Currency, the Federal Reserve Board, and the Department of Justice). Their responses were unanimous in urging that we maintain the survey on an annual basis to ensure the timeliness of the data used in the analyses that are performed on it. Immediately prior to 1972, SOD data were collected on a biennial basis. Annual reporting was adopted beginning with the June 30, 1972 survey after it was determined that biennial data was inadequate because it was over 30 months old before data from the next survey was available. Even with the annual collection of SOD data, by the end of the period before new data is available, we are working with data that is 15 to 16 months old because of the time needed to process and edit the data for public release. With the current high rate of consolidation in the banking system, often involving mergers of banks with many branches, and the rapid rate of change in the financial industry, the need for current data is greater than ever. Also, the data is the only source of branch deposit information available and serves for structure verification for branches of banks. After considering the factors of reporting burden, processing cost, and program need, it has been determined that the most favorable frequency for the survey is annually.

7. **Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):**

None. The information is collected in a manner consistent with 5 CFR 1320.5(d)(2).

8. **Efforts to consult with persons outside the agency:**

The FDIC published a notice in the *Federal Register* seeking comment for a 60-day period on renewal of this information collection on April 14, 2020 (85 FR 20688). The FDIC received one comment letter from a trade association. The concerns raised in the letter and the FDIC responses thereto are as follows:

The commenter would like the FDIC to extend the due date of its SOD to at least 45 days after the June 30 as-of date. The SOD is due annually on July 31 for all FDIC-insured institutions with a June 30 as-of date. The commenter points out that institutions with more than one foreign office are not required to submit their June 30 Call Report until 35 calendar days after the report date. The commenter states that many institutions file their Call Reports after submitting their SOD and such firms experience failed validity tests as the SOD is required to tie directly to Schedule RC-E (Deposit Liabilities) of the Call Report.

The commenter believes that extending the due date of the SOD to at least 45 days after the June 30 as-of date would allow firms to use the full time allotted to submit their June 30 Call Reports prior to completing the SOD, which would ultimately decrease the instances of validity check failures and thus limit the burden associated with rectifying such issues. The commenter adds that the slightly delayed submission date could be beneficial to the FDIC as well by providing FDIC staff additional time on the Call Report before having to focus on SOD submissions.

The commenter states that providing additional time for the SOD could also help decrease discrepancies between current branch information and the branch information that appears in the FDIC systems. The commenter points out that institutions submit the Form FR Y-10 report, within 30 days of a change, to provide the agencies with updated branch data as a result organizational structural changes, including changes in both foreign and domestic branches (such as openings and closures). The commenter points out that FDIC records for branches are not always updated in a timely manner to reflect said changes, creating a gap in the timing between when firms communicate changes and these changes appear in the FDIC system used for the SOD. In certain cases, like with specialty branches, there could be a significant lag in updates to the FDIC system of up to three to six months. This delay leads to stale information and duplicate branch numbers in FDIC records, which contributes to issues in the SOD reporting process and continued unnecessary burden. The commenter indicates that institutions currently make an effort to proactively avoid the discrepancies that arise from delayed updates to the FDIC system by working with FDIC analysts on a consistent basis to reconcile and update branch information in the FDIC's records. However, despite these proactive initiatives, firms often continue to experience branch identification issues and inconsistencies when preparing the SOD. The commenter believes that extending the submission due date for the SOD would help support improving these issues with branch identification as it would allow more time for the FDIC to appropriately update its branch records prior to firms' annual SOD submission.

As stated above, the Summary of Deposits data is a valuable resource to the general public, researchers, analysts, banking organizations, and financial regulators. The FDIC has strived to publish the data as early as possible, moving up the publication to as early as possible by implementing system and process enhancements over the last five years. Because market share analysis resulting from the SOD data collection is dependent on collection of data from all respondent institutions, any extension of the SOD due date would result in delaying publication of all SOD data by an equal number of days, setting back any progress on the FDIC's goal to publish data more timely. Further, the number of banks for which the Call Report due date falls after the SOD due date totals less than one percent of all respondents, and those institutions are able to bypass any edits associated with filing the SOD before filing the Call Report.

Regarding discrepancies between disparate systems, the FDIC has recently implemented extensive system enhancements to speed the flow of institutional structure data between agencies and systems, reducing the lag time and reconcilement issues encountered previously. FDIC believes these enhancements will greatly reduce the discrepancies between systems and enhance the reporting process going forward.

The commenter suggests that the FDIC should publish the annual SOD reporting instructions and the related FDIC Financial Institution Letter, by mid-April to allow firms and software vendors adequate time to make necessary changes.

Few changes are made to the Summary of Deposits Financial Institution Letter and instructions from year to year, and changes are generally limited to updating dates and system-specific guidelines for respondents. Well in advance of the SOD reporting cycle, meetings are held with third-party software vendors to discuss the upcoming reporting cycle and any associated reporting or system changes. When more significant changes have occurred, requiring more preparation by respondents, guidance has been issued earlier. For example, when reporting transitioned from a legacy system to the Central Data Repository in 2016, the Financial Institution Letter and instructions were issued on

May 1 of that year. Given the minor changes to reporting guidance in recent years, FDIC believes release of the guidance to financial institutions approximately 30 days in advance of the reporting cycle is sufficient.

The commenter suggests that the FDIC should update the edit check for addresses to ensure that submissions that include branch addresses consistent with those on the United States Postal Services' website and that meet the standards of the FDIC's approved vendor software do not produce errors. Additionally, the commenter recommends that the FDIC consider ways to use more automated techniques to enhance SOD processes and related updates to FDIC records.

The FDIC continues to implement system enhancements and utilize available tools to ease reporting burden for respondents. In recent years, the FDIC has integrated address standardization and geocoding tools within the Central Data Repository to enhance data quality at the point of entry and to minimize the number of edit failures. Technology and system enhancements will continue to be implemented as practicable going forward.

9. **<u>Payment or gifts to respondents:</u>**

None.

10. **<u>Any assurance of confidentiality:</u>**

None; all of the collected data are available to the public on request.

11. **<u>Justification for questions of a sensitive nature:</u>**

Not applicable. No sensitive information is collected.

12. **Estimate of hour burden including annualized hourly costs:**

The FDIC revised its estimates of the number of respondents to this information collection based on changes in the estimated number of respondents due to economic conditions. The hourly burden per response remains the same

Summary of Annual Burden						
Information Collection Description	**Type of Burden**	**Obligation to Respond**	**Estimated Number of Respondents**	**Estimated Frequency of Responses**	**Estimated Time per Response (Hours)**	**Estimated Annual Burden (Hours)**
Summary of Deposits	Reporting	Mandatory	4,299	Annually	3	12,897

Total Estimated Annual Burden **12,897 hours**

Annualized Cost of Internal Hourly Burden:

To estimate the weighted average hourly cost of compensation, FDIC uses the 75th percentile hourly wages reported by the Bureau of Labor Statistics (BLS) National Industry-Specific Occupational Employment and Wage Estimates for the relevant occupations in the Depository Credit Intermediation sector, as of December 2019.

The hourly wage rates reported by BLS do not include non-monetary compensation. According to the December 2019 Employer Cost of Employee Compensation data, compensation rates for health and other benefits are 33.8 percent of total compensation. To account for non-monetary compensation, FDIC adjusted the hourly wage rates reported by BLS by that percentage. FDIC also adjusted the hourly wage by 3.11 percent based on changes in the Consumer Price Index for Urban Consumers (CPI-U) from May 2018 to December 2019 to account for inflation and ensure that the wage information is contemporaneous with the non-monetary compensation statistic.

After calculating these adjustments, FDIC then weighted the total hourly compensation across the four occupations (Executives and Managers, Lawyers, Compliance Officer, and Clerical) FDIC estimates are involved in responding to this information collection as follows:

Summary of Hourly Burden Cost Estimate (3064-0176)

Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Weighted Hourly Wage
Executives & Managers[1]	$121.88	5%	$6.09
Lawyers[2]	154.50	5%	$7.73
Compliance Officer[3]	$65.42	85%	$54.76
Clerical[4]	$32.59	5%	$1.63
Weighted Average			$70.21

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation Sector" (May 2018), Employer Cost of Employee Compensation (December 2019), Consumer Price Index (December 2019).

Total Estimated Cost Burden

FDIC estimates the total annual cost burden for this information collection by multiplying the total estimated annual burden of 12,897 hours, by the weighted average hourly compensation estimate of $70.21 to arrive at an estimated labor cost of $905,498.37 per year.

13. **Estimate of start-up costs to respondents:**

None.

14. **Estimate of annualized costs to the government:**

None.

15. **Analysis of change in burden:**

There is no change in the substance or methodology of this information collection. The change in burden is due solely to a decrease in the number of respondents which decreased from 4,843 to 4,299. The hourly burden per response remains the same. As a result, total estimated annual burden for this information collection has decreased by 1,632 hours from 14,529 hours to 12,897 hours.

1 Occupation (SOC Code): Management Occupations (110000).
2 Occupation (SOC Code): Lawyers, Judges, and Related Workers (231000).
3 Occupation (SOC Code): Compliance Officers (131041).
4 Occupation (SOC Code): Office and Administrative Support Occupations (430000).

16. **<u>Information regarding collections whose results are planned to be published for statistical use:</u>**

All SOD data are available to the public on the FDIC's web site. Information which is normally published from this survey includes amounts of deposits (on an individual banking office basis) for MSAs, CMSAs, counties, states, and total in the United States.

17. **<u>Display of expiration date:</u>**

The expiration date is displayed on Form FDIC 8020/05, "Summary of Deposits as of Close of Business June 30."

18. **<u>Exceptions to certification:</u>**

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.