

**Supporting Statement for the
Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks
(FFIEC 002; OMB No. 7100-0032)
and the
Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a
U.S. Branch or Agency of a Foreign (Non-U.S.) Bank
(FFIEC 002S; OMB No. 7100-0032)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to revise the Federal Financial Institutions Examination Council (FFIEC) Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032) and Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S; OMB No. 7100-0032) under the emergency clearance provisions of OMB's regulations. The Board submits this request on behalf of itself, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (collectively, the agencies). No separate submission will be made by the FDIC or OCC.

The FFIEC 002 must be submitted quarterly by U.S. branches and agencies of foreign banks. The report requests detailed schedules of assets and liabilities as a condition report with a variety of supporting schedules. This information is used to fulfill the agencies' supervisory and regulatory requirements pursuant to the International Banking Act of 1978 (IBA).

The FFIEC 002S is a mandatory supplement to the FFIEC 002 and collects information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of a foreign bank.¹ A separate FFIEC 002S supplement is completed by the managing or controlling U.S. branch or agency for each applicable foreign branch. The FFIEC 002S collection improves data on U.S. deposits, credit, and international indebtedness, and assists U.S. bank supervisors determine the assets managed or controlled by the U.S. agency or branch of the foreign bank.

The Board proposes to revise the FFIEC 002 effective beginning with reports for the June 30, 2020, report date. The proposed revisions would account for regulatory amendments made by the Board through an interim final rule and a proposal by the FDIC in response to economic disruptions related to the coronavirus disease 2019 (COVID-19). There are no proposed revisions to the FFIEC 002S at this time. The current estimated total annual burdens for the FFIEC 002 and FFIEC 002S are 19,955 hours and 912 hours, respectively. The proposed estimated total annual burden for the FFIEC 002 would increase to 20,373 hours with the proposed revisions, and the burden for the FFIEC 002S would remain unchanged. The forms and instructions are available on the FFIEC's public website at https://www.ffiec.gov/ffiec_report_forms.htm.

¹ "Managed or controlled" means that a majority of the responsibility for business decisions, including, but not limited to, decisions with regard to lending, asset management, funding, liability management, or the responsibility for recordkeeping with respect to assets or liabilities for that foreign branch resides at the U.S. branch or agency.

Background and Justification

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)

The IBA specifies that foreign banks' branches and agencies in the United States are subject to the supervisory authority of the U.S. federal banking agencies and that responsibility for federal supervision is to be shared among the agencies. As one step in carrying out the supervisory and regulatory responsibilities imposed by the IBA, the agencies instituted the FFIEC 002 in June 1980. The report collects from the U.S. branches and agencies of foreign banks information that is similar to that collected by the Call Reports (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) from U.S. commercial banks and savings associations, although the FFIEC 002 collects fewer data items.

In addition to its supervisory and regulatory uses, the Board uses the information collected by the FFIEC 002 to conduct monetary and financial analysis essential for the conduct of monetary policy. The data are used to analyze credit developments, identify sources and uses of funds in the banking sector, and assess financial developments within the U.S. banking system. The data help to interpret the bank credit and deposit information that the Board uses when making monetary policy decisions and assists the Board in gauging the response to those decisions.

Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S)

Foreign banks often conduct business at branches that are domiciled in countries other than the United States, but which are largely run out of the banks' U.S. agency or branch office, with a separate set of books but often with overlapping management responsibilities. Such branches often engage in transactions with U.S. residents. The FFIEC 002S collects asset and liability data regarding each such branch.

The information reported on the FFIEC 002S is collected for several reasons: (1) to monitor deposit and credit transactions of U.S. residents, (2) to monitor the impact of policy changes such as changes in reserve requirements, (3) to analyze structural issues concerning foreign bank activities in U.S. markets, (4) to understand indebtedness and flows of banking funds in developing countries, in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis, and (5) to collect information helpful for the supervision of U.S. offices of foreign banks, which often are managed jointly with these branches.

The FFIEC 002S collects details on transactions with U.S. residents and with residents of the banks' home countries. In most cases, these data cover a large proportion of the subject branches' total activities since most branches have heavy exposures to their home countries and deal largely with U.S. customers. This collection allows for the more complete data on U.S. deposits, credit, and international indebtedness and assists U.S. bank supervisors in determining the assets managed or controlled by the U.S. agency or branch of the foreign bank.

Description of Information Collection

The FFIEC 002 consists of a summary schedule of assets and liabilities (Schedule RAL) and several supporting schedules. Each schedule requires information on balances of the entire reporting branch or agency. On the schedules for cash (Schedule A), loans (Schedule C), and deposits (Schedule E), separate details are reported on balances of International Banking Facilities (IBFs). Unlike the Call Report for domestic banks and thrifts, the FFIEC 002 collects no income data.

A separate FFIEC 002S must be completed by any U.S. branch or agency of a foreign bank for each non-U.S. banking branch of its parent bank that the U.S. branch or agency manages or controls. The FFIEC 002S covers all of the foreign branch's assets and liabilities, regardless of the currency in which they are payable. The supplement also covers transactions with all entities, both related and nonrelated, regardless of location. All due from/due to relationships with related institutions, both depository and nondepository, are reported on a gross basis, that is, without netting due from and due to data items against each other.

Respondent Panel

The reporting panel for the FFIEC 002 and FFIEC 002S consists of all U.S. branches and agencies (including their IBFs) of foreign banks, whether federally licensed or state chartered, insured or uninsured.

Proposed Revisions to the FFIEC 002

The agencies propose under the emergency clearance provisions of OMB's regulations to revise the FFIEC 002 effective beginning with the June 30, 2020, report date. The agencies have determined that (1) the collection of information within the scope of this request is needed prior to the expiration of time periods established under 5 CFR 1320.10, (2) this collection of information is essential to the mission of the agencies, and (3) the agencies cannot reasonably comply with the normal clearance procedures because an unanticipated event has occurred and the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.

Recent events have suddenly and significantly impacted financial markets. The spread of COVID-19 has disrupted economic activity in many countries. In addition, financial markets have experienced significant volatility. The magnitude and persistence of the overall effects on the economy remain highly uncertain. Small businesses are facing severe liquidity constraints and a collapse in revenue streams. In addition, financial disruptions arising in connection with the COVID-19 situation have caused many depositors to have a more urgent need for access to their funds by remote means, particularly in light of the closure of many depository institution branches and other in person facilities.

In March through May 2020, the Paycheck Protection Program (PPP)² implemented by

² See 85 FR 20811 (April 15, 2020).

the U.S. Small Business Administration (SBA), and the Paycheck Protection Program Liquidity Facility (PPPLF)³ and Money Market Mutual Fund Liquidity Facility (MMLF),⁴ each established by the Board, were put in place to provide financing to small businesses and liquidity to small business lenders and the broader credit markets, and to help stabilize the financial system in a time of significant economic strain. On May 12, 2020, the FDIC issued a notice of proposed rulemaking (FDIC NPR) related to deposit insurance assessment that aims to mitigate the deposit insurance assessment effects of participating in these programs.⁵

On April, 28, 2020, the Board's issued an IFR (Board IFR) related to the Board's Regulation D that relieves depository institutions from regulatory burden and permits all customers, particularly those impacted by the coronavirus situation, to have immediate access to their funds.⁶ The Board IFR was issued with an immediate effective date and the FDIC NPR was issued with a 7-day comment period, in order to allow sufficient time for the FDIC to consider comments and ensure publication of a final rule before June 30, 2020. The agencies propose to revise the FFIEC 002 to account for the provisions of the Board IFR and FDIC NPR. The agencies believe that, in light of current market uncertainty, and the urgent policy matter of these programs and facilities at issue, the public interest is best served by implementing these revisions as soon as possible. The agencies request emergency clearance from OMB to permit these revisions for the June 30, 2020, FFIEC 002.

FDIC Assessment: PPP, PPPLF, and MMLF

On May 12, 2020, the FDIC proposed a rule that would modify its deposit insurance assessment rules to mitigate the effects of participation in the PPP, PPPLF, and MMLF on insured depository institutions.⁷ To effect these modifications, the FDIC would need information on the quarterly average amount of PPP loans pledged to the liquidity facility and the quarterly average amount of assets purchased under the MMLF. Therefore, the agencies are proposing two new FFIEC 002 data items to collect for assessment purposes, with collection of these items expected to be time-limited. The agencies will expect to propose to discontinue the collection of a specific item once the aggregate industry activity has diminished to a point where the individual information is of limited practical utility.

Starting with the FFIEC 002 report as of June 30, 2020, the quarterly average amount of loans pledged to the PPPLF and the quarterly average amount of assets purchased from money market mutual funds under the MMLF would be reported in Schedule O, Memoranda items 6 and 7 respectively.

Regulation D Amendments - Interim Final Rule

The Board published in the *Federal Register* on April 28, 2020, an interim final rule that amends the Board's Regulation D - Reserve Requirements of Depository Institutions (12 CFR

³ See 85 FR 20387 (April 13, 2020).

⁴ See 85 FR 16232 (March 23, 2020).

⁵ See <https://www.fdic.gov/news/board/2020/2020-05-12-notational-fr.pdf>.

⁶ 85 FR 23445 (April 28, 2020).

⁷ See FDIC Press Release PR-59-2020 (May 12, 2020).

Part 204). The interim final rule amends the six per month transfer limit in the “savings deposit” definition in Regulation D. This interim final rule deleted a provision in the “savings deposit” definition that required depository institutions either to prevent transfers and withdrawals in excess of the limit or to monitor savings deposits ex post for violations of the limit. The interim final rule also makes conforming changes to other definitions in Regulation D that refer to “savings deposit” as necessary.

The interim final rule allows depository institutions to immediately suspend enforcement of the six transfer limit and to allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits. The interim final rule permits, but does not require, depository institutions to suspend enforcement of the six transfer limit. The interim final rule also does not require any changes to the deposit reporting practices of depository institutions.

The agencies are revising the instructions to the FFIEC 002 to reflect the revised definition of “savings deposits” in accordance with the amendments to Regulation D in the interim final rule. Specifically, the agencies are revising the General Instructions for Schedule E, Deposit Liabilities and Credit Balances and the Glossary in the FFIEC 002 Instructions to remove references to the six transfer limit. As a result of the amendments to Regulation D, if a depository institution chooses to suspend enforcement of the six transfer limit on a “savings deposit” the depository institution may continue to report that account as a “savings deposit” or may instead choose to report that account as a “transaction account.”

In addition, certain reporting items on Schedule E differentiate between transaction accounts and nontransaction accounts, in part based on the definitions in Regulation D (including the previous six transfer limit distinction). Specifically, the revised definition would apply to classification of deposits in Schedule E, Items 1 through 7. Nevertheless, the agencies anticipate there will be no material change in burden resulting from these revisions to reporting of deposit accounts.

Time Schedule for Information Collection

The FFIEC 002 and FFIEC 002S are collected as of the end of the last calendar day of March, June, September, and December. U.S. branches and agencies of foreign banks must submit the FFIEC 002 and FFIEC 002S to the Federal Reserve Bank in the district in which the reporting branch or agency is located within 30 calendar days following the report date. After processing and editing respondent data, the Board sends the data to the FDIC and OCC for their use in monitoring the U.S. activities of foreign banks under their supervision.

Public Availability of Data

Aggregate data for all U.S. branches and agencies that file the FFIEC 002 are published in the *Federal Reserve Bulletin* and are also used in developing flow of funds estimates and the estimates published in the Federal Reserve weekly H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*. Aggregate data for the FFIEC 002S are available to the public upon request.

Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request. In addition, individual respondent data are also available on the FFIEC public website at <https://www.ffiec.gov/NPW>.

Legal Status

Section 11(a)(2) of the Federal Reserve Act (FRA) authorizes the Board to require depository institutions to submit reports of their liabilities and assets as the Board may determine to be necessary or desirable to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates (12 U.S.C. § 248(a)(2)). Section 7(c)(2) of the IBA, provides that Federal branches and agencies of foreign banks are subject to the reporting requirements in section 11(a) of the FRA “to the same extent and in the same manner as if the branch or agency were a state member bank” (12 U.S.C. § 3105(c)(2)). Section 7(c)(2) of the IBA also provides that state-licensed branches and agencies of foreign banks are subject to the requirement in section 9 of the FRA (12 U.S.C. § 324) that they file reports of condition with the appropriate Federal Reserve Bank (12 U.S.C. § 3105(c)(2)). In addition, section 4(b) of the IBA authorizes the OCC to collect such information from Federal branches and agencies of foreign banks (12 U.S.C. § 3102(b)). The Board, FDIC, and OCC also are authorized to collect reports of condition from insured branches of foreign banks pursuant to section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)(1) and (3)). The obligation to respond is mandatory for reporting institutions.

In general, the information collected in the FFIEC 002 report is made available to the public, except that the data collected from a U.S. branch or agency of a foreign bank in Schedule M of the FFIEC 002 report is withheld as confidential commercial and financial information. Schedule M requires respondents to report the amounts due to/due from related institutions in the U.S. and in foreign countries; however, U.S. banking organizations, which are direct competitors of the FFIEC 002 respondents, are not required to disclose financial information involving transactions with related institutions. Accordingly, disclosure of this confidential financial information on the FFIEC 002 report would put respondents at a distinct competitive disadvantage relative to their U.S. banking organization counterparts. Schedule M, therefore, is considered exempt from public disclosure pursuant to exemption 4 of the Freedom of Information Act (FOIA), which protects “trade secrets and commercial or financial information obtained from a person and privileged or confidential” (5 U.S.C. § 552(b)(4)).⁸ If a respondent believes that disclosure of any of the public portions of its FFIEC 002 report would be reasonably likely to result in substantial harm to its competitive position under exemption 4 of the FOIA, the respondent may request confidential treatment for such information as set forth in the Board’s Rules Regarding the Availability of Information (12 CFR 261.15) and in the Instructions to the FFIEC 002 report.

The FFIEC 002S report collects data on transactions with all entities, both related and nonrelated, and similar to Confidential Schedule M of the FFIEC 002 report, also collects data on the amount due to/from transactions with related institutions (both depository and non-

⁸ Although Schedule M of the FFIEC 002 report is withheld from the public, the instructions to the FFIEC 002 report indicate that these reports are made available to the relevant state supervisory authority in their entirety.

depository). The data collected on the FFIEC 002S report has been deemed confidential since the inception of the report. The primary rationale for confidential treatment of the FFIEC 002S report in its entirety is because the report may contain intracompany business information and because home country data collected on the FFIEC 002S could reveal information about individual customers. U.S. banking organizations, which are direct competitors of the FFIEC 002S respondents, are not required to publicly disclose such financial information involving transactions with related institutions. Accordingly, disclosure of the confidential financial information submitted on the FFIEC 002S report, would put respondents at a distinct competitive disadvantage relative to their U.S. banking organization counterparts. The FFIEC 002S report, therefore, is considered exempt from disclosure in its entirety pursuant to exemption 4 of the FOIA. Aggregate data from the FFIEC 002S report for multiple respondents, which does not reveal the identity of any individual respondent, may be released.

Consultation outside the Agency

Federal Reserve staff members have consulted with representatives of the FDIC and OCC concerning the proposed revision of this report.

Estimate of Respondent Burden

As shown in the table below, the current estimated total annual burden for the FFIEC 002 and FFIEC 002S are 19,955 hours and 912 hours respectively. The proposed revisions would result in an increase of 418 hours for the FFIEC 002, and the burden hours for the FFIEC 002S would remain unchanged. This burden estimate accounts for all filers of the FFIEC 002 and FFIEC 002S, including those supervised by the FDIC or OCC. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FFIEC 002 and FFIEC 002S	<i>Estimated number of respondents⁹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 002	209	4	23.87	19,955
FFIEC 002S	38	4	6	<u>912</u>
<i>Current Total</i>				20,867
Proposed				
FFIEC 002	209	4	24.37	20,373
FFIEC 002S	38	4	6	<u>912</u>
<i>Proposed Total</i>				21,285
<i>Change</i>				418

⁹ Of these respondents, 89 for the FFIEC 002 and 11 for the FFIEC 002S are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support--table-size-standards>.

The estimated total annual cost to the public for the FFIEC 002 and FFIEC 002S is \$1,205,069 and would increase to \$1,229,209 with the proposed revisions.¹⁰

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 estimated cost to the Federal Reserve System for collecting and processing the FFIEC 002 and FFIEC 002S is \$62,700. The Federal Reserve System collects and processes the data for all three of the agencies.

¹⁰ 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 \$20, 45% Financial Managers at \$71, 15% Lawyers at \$70, and 10% Chief Executives at \$93). 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 2019*, published March 31, 2020, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.