

**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 collect data regarding loans affected by a provision of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (section 4013).² 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 20,373 hours and 912 hours, respectively. The proposed estimated total annual burden for the FFIEC 002 would increase to 20,791 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.

² Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (March. 27, 2020).

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 the coronavirus disease 2019 (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.

Section 4013 of the CARES Act permits banking organizations flexibility in modifying loans related to COVID-19. The statute also permits the agencies to collect information about the volume of loans modified under this section. Since the agencies anticipate a significant amount

of activity related to these modifications will occur in the second quarter, the agencies are requesting emergency clearance to add two new reporting items for these loans. 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 this revision as soon as possible. The agencies request emergency clearance from OMB to permit these revisions for the June 30, 2020, FFIEC 002.

CARES Act Section 4013 - Temporary Relief from Troubled Debt Restructurings (TDR)

Section 4013 of the CARES Act suspends the requirements under United States generally accepted accounting principles for eligible loan modifications related to the COVID-19 pandemic that would otherwise be categorized as troubled debt restructurings (TDRs). The CARES Act defines an eligible loan under section 4013 (section 4013 loan) as a loan modification that is (1) related to COVID-19, (2) executed on a loan that was not more than 30 days past due as of December 31, 2019, and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency concerning the COVID-19 outbreak or (B) December 31, 2020. Section 4013(d)(2) of the CARES Act provides that federal banking agencies may collect data about section 4013 loans for supervisory purposes.

Consistent with section 4013(d)(2) of the CARES Act, the agencies seek to collect information about the volume of loans modified under section 4013. These confidential items would enable the agencies supervision staff to monitor credit risk, aggregate industry trends, and individual institutions' use of the temporary relief provided by section 4013. The agencies are proposing to add two new data items to the FFIEC 002, which would be collected quarterly beginning with the June 30, 2020, report date. These new items, Memorandum item 5.a, "Number of Section 4013 loans outstanding," and Memorandum item 5.b, "Outstanding balance of Section 4013 loans", would be added to Schedule C Loans, Part I, Loans and Leases. U.S. branch and agencies would be instructed to report the total number of loans outstanding that have been modified under section 4013 and the outstanding balance of these loans in Schedule C, Loans, Part I, Loans and Leases, Memorandum items 5.a and 5.b, respectively, with the collection of these items expected to be time-limited. The agencies 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.

The agencies would collect U.S. branch and agency-level information on a confidential basis. Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8).³ The public disclosure of supervisory information on section 4013 loans could have a detrimental impact on financial institutions offering modifications under this provision to borrowers that need relief due to COVID-19. Financial institutions may be reluctant to offer modifications under section 4013 if information on these modifications made by each institution is publicly available, as analysts, investors, and other users of public FFIEC 002

³ Exemption 8 of the Freedom of Information Act (FOIA), specifically exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions".

information may penalize an institution for using the relief provided by the CARES Act. The agencies have encouraged financial institutions to work with their borrowers during the National Emergency related to COVID-19, including use of the relief under section 4013.⁴

The agencies may disclose data on an aggregated basis, consistent with confidentiality.

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

⁴ See “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)” (April 7, 2020), available at: <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-50a.pdf>.

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)).⁵ 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-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

The Board consulted with the FDIC and OCC concerning the proposed revision of this report.

⁵ 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.

Estimate of Respondent Burden

As shown in the table below, the current estimated total annual burdens for the FFIEC 002 and FFIEC 002S are 20,373 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 respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 002	209	4	24.37	20,373
FFIEC 002S	38	4	6	<u>912</u>
<i>Current Total</i>				21,285
Proposed				
FFIEC 002	209	4	24.87	20,791
FFIEC 002S	38	4	6	<u>912</u>
<i>Proposed Total</i>				21,703
<i>Change</i>				418

The estimated total annual cost to the public for the FFIEC 002 and FFIEC 002S is \$1,229,209 and would increase to \$1,253,348 with the proposed revisions.⁷

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.

⁶ 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>.

⁷ 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/>.