

**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.¹ 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.² 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 to determine the assets managed or controlled by the U.S. agency or branch of the foreign bank.

The agencies propose to revise the FFIEC 002 effective beginning with reports for the September 30, 2020, report date. The proposed revision would collect data that would support the implementation of a final rule adopted by the FDIC on June 22, 2020, amending its deposit insurance assessment regulations in response to economic disruptions related to the coronavirus disease 2019 (COVID-19).³ There are no proposed revisions to the FFIEC 002S at this time. The

¹ "Branch" means any office or any place of business of a foreign bank located in any State of the United States at which deposits are received (12 U.S.C. § 3101(3)). "Agency" means any office or any place of business of a foreign bank located in any State of the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers, checks are paid, or money is lent but at which deposits may not be accepted from citizens or residents of the United States (12 U.S.C. § 3101(1)).

² "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.

³ 85 FR 38282 (June 26, 2020).

current estimated total annual burdens for the FFIEC 002 and FFIEC 002S are 20,791 hours and 912 hours, respectively. The estimated total annual burdens for the FFIEC 002 and the FFIEC 002S would remain unchanged with the proposed revision. The forms and instructions are available on the FFIEC's public website at https://www.ffiec.gov/ffiec_report_forms.htm.

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 and balances due from depository institutions (Schedule A), loans (Schedule C), and deposit liabilities and credit balances (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 consists of all U.S. branches and agencies (including their IBFs) of foreign banks, whether federally licensed or state chartered, insured or uninsured. The FFIEC 002S reporting panel consists of all non-U.S. branches managed or controlled by a U.S. branch or agency of a foreign bank.

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 September 30, 2020, report date. The agencies have determined that the request meets the emergency processing requirements set forth in 5 CFR 1320.13. Specifically, (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 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. The agencies request emergency processing of the proposed revision discussed below because it is essential for the agencies to collect information that would allow the agencies to calculate assessment amounts for deposit insurance in light of recent amendments to the FDIC's rule regarding deposit insurance assessments, which were immediately effective and were meant to more fully mitigate the deposit insurance assessment of participation in the Paycheck Protection Program and minimize additional reporting burden from the economic impacts of the unanticipated COVID-19 pandemic.

Pursuant to section 7 of the Federal Deposit Insurance Act, the FDIC has established a risk-based assessment system through which it charges all IDIs an assessment amount for deposit insurance. On May 12, 2020, the FDIC approved a proposed rule modifying its deposit insurance assessment rules to mitigate the effects of participation in the Paycheck Protection Program (PPP), the PPP Liquidity Facility (PPPLF), and the Money Market Mutual Fund Liquidity Facility (MMLF) on Insured Depository Institutions (IDIs), including insured U.S. branches of foreign banks.⁴ Among other changes in the FDIC's assessment rules, the proposal would have provided an offset to an IDI's assessment amount for the increase to its assessment base attributable to participation in the PPPLF and the MMLF. The Board, on behalf of the three federal banking agencies, requested and received emergency approval on May 27, 2020, from OMB to implement revisions to the FFIEC 002 beginning as of the June 30, 2020, report date. More specifically, the Board received approval to collect two additional items from insured U.S. branches of foreign banks on the FFIEC 002: the quarterly average amount of PPP loans pledged to the PPPLF and the quarterly average amount of assets purchased from money market mutual funds under the MMLF in Schedule O, Memorandum items 6 and 7, respectively. On June 22, 2020, the FDIC adopted a final rule amending its deposit insurance assessment rules to mitigate the effects of participation in the PPP, the PPPLF, and the MMLF on IDIs, including insured U.S. branches of foreign banks.⁵ The final rule is effective June 26, 2020, and will apply as of April 1, 2020.

As a consequence of the change the FDIC made in its final rule to mitigate the effect of an IDI's participation in the PPP, the Board, on behalf of the agencies, requests emergency clearance from OMB to permit the revision of the PPP information reported by insured U.S. branches of foreign banks in Schedule O, Memorandum item 6, of the FFIEC 002 beginning with the September 30, 2020, report date. The Board would discontinue the previously approved reporting by insured U.S. branches of the quarterly average amount of loans pledged to the PPPLF effective as of that report date and instead such branches would begin to report the outstanding balance of PPP loans at quarter-end.⁶ The collection of this revised item would be

⁴ <https://www.fdic.gov/news/press-releases/2020/pr20059.html>; see also 85 FR 30649 (May 20, 2020).

⁵ <https://www.fdic.gov/news/press-releases/2020/pr20071.html>; see also 85 FR 38282 (June 26, 2020).

⁶ Section 327.17(d)(1)(ii) of the FDIC's assessment regulations, as added by the FDIC's final rule, provides that "[t]o the extent that an institution does not report the outstanding balance of loans provided under the Paycheck Protection Program, such as in an insured branch's Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, the FDIC will take the sum of either the quarterly average amount of loans pledged to the Paycheck Protection Program Liquidity Facility as reported in the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, or the outstanding balance of loans provided under the Paycheck Protection

time-limited. The Board, on behalf of the agencies, would expect to propose to discontinue the collection of this item once individual branch information is no longer needed for deposit insurance assessment purposes.

Time Schedule for Information Collection

The FFIEC 002 and FFIEC 002S are collected as of the last calendar day of the quarter (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

Program, as such certified data is provided to the FDIC.” See 85 FR 38282, 38294.

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)).⁷ In addition, Schedule C, Part, I, Loans and Leases, Memorandum item 5.a, “Number of Section 4013 loans outstanding,” and Memorandum item 5.b, “Outstanding balance of Section 4013 loans,” which have been added to the FFIEC 002 beginning as of the June 30, 2020, report date, are being collected at the U.S. branch and agency level on a confidential basis. Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. § 552(b)(8).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-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

⁷ 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.

⁸ Exemption 8 of 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.”

report.

Estimate of Respondent Burden

As shown in the table below, the current estimated total annual burden hours for the FFIEC 002 and FFIEC 002S are 20,791 hours and 912 hours, respectively. The estimated total annual burden hours for the FFIEC 002 would remain unchanged with the proposed revision due to adding the collection of the outstanding balance of PPP loans at quarter-end and discontinuing the collection of the quarterly average amount of loans pledged to the PPPLF, which will result in a net zero change in burden. Because there are no proposed revisions to the FFIEC 002S at this time, the estimated total annual burden hours for the FFIEC 002S also would remain unchanged. These burden estimates account 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>
FFIEC 002	209	4	24.87	20,791
FFIEC 002S	38	4	6	<u>912</u>
<i>Total</i>				21,703

The estimated total annual cost to the public for the FFIEC 002 and FFIEC 002S is \$1,253,348.¹⁰

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.

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>.

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/>.