

**Supporting Statement for the
Consolidated Report of Condition and Income for Edge and Agreement Corporations
(FR 2886b; OMB No. 7100-0086)**

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 the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b; OMB No. 7100-0086). The FR 2886b reporting form is filed quarterly or annually by Edge and agreement corporations (collectively, Edges or Edge corporations). The Federal Reserve is solely responsible for authorizing, supervising, and assigning ratings to Edges. The Federal Reserve uses the data collected on the FR 2886b to supervise Edge corporations and to monitor and develop a better understanding of Edge activities.

The Board revised the instructions to the FR 2886b to implement the temporary revisions that were approved previously to the definition of “savings deposits” in accordance with amendments made to the Board’s Regulation D - Reserve Requirements for Depository Institutions (12 CFR Part 204) through an interim final rule.¹ The Board also revised the FR 2886b instructions effective March 31, 2021, to clarify the reporting of savings deposits for institutions that have suspended the enforcement of the six-transfer limit rule on an account that meets the definition of a savings deposit. The new revisions would become effective for reports with a March 31, 2021, as of date. The temporarily approved revisions were effective June 30, 2020, and are being finalized. The revisions to the FR 2886b are consistent with recently approved revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036).²

The estimated total annual burden for the FR 2886b is 1,652 hours, and would remain unchanged. The form and instructions are available on the Board’s public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

The FR 2886b collects financial data from Edge corporations, which are supervised by the Board. The Federal Reserve uses the FR 2886b data to help plan and target the scope of examinations of Edges and to evaluate applications from Edge corporations. Data from the FR 2886b are also used to monitor aggregate institutional trends, such as growth in assets and the number of offices, changes in leverage, and the types and locations of customers and to monitor and identify present and potential problems with Edge corporations.

Additionally, certain Edges engage in deposit-taking in the United States, and therefore conduct activities that affect the nation’s money supply. The Federal Reserve uses the FR 2886b

¹ See 85 FR 23445 (April 28, 2020). In connection with this interim final rule, the Board temporarily revised the instructions to the FR 2886b. See 85 FR 25436 (May 1, 2020).

² See 85 FR 44361 (July 22, 2020) and 85 FR 74784 (November 23, 2020).

data, in conjunction with data from the Call Reports, in the construction of the monetary aggregates and aggregate statistics on bank credit, nondeposit funds, and assets and liabilities of commercial banks. The Federal Reserve also uses data from the FR 2886b in the construction of the flow of funds accounts and in the compilation of structure data on foreign bank activity. The information collected by the FR 2886b is not available from other sources.

Description of Information Collection

The FR 2886b comprises a balance sheet, income statement, two schedules reconciling changes in capital and reserve accounts, and 11 supporting schedules. An Edge that is engaged in banking³ must file all supporting schedules; other Edges must file only four of the 11 supporting schedules. The four supporting schedules that investment Edge corporations must file are: Trading Assets and Liabilities, Derivatives and Off-Balance-Sheet Items, Claims on and Liabilities to Related Organizations, and Past Due and Nonaccrual Loans, Leases, and Other Assets.

Respondent Panel

The FR 2886b panel comprises all Edge and agreement corporations.

Revisions to the FR 2886b

Regulation D Revisions

The Board revised the FR 2886b instructions to implement changes related to the Regulation D interim final rule issued on April 28, 2020. In response to recent economic disruptions and volatility in U.S. financial markets caused by the spread of Coronavirus Disease 2019 (COVID-19), the Board adopted the Regulation D interim final rule. The interim final rule amended the “savings deposit” definition in Regulation D by deleting the six-transfer-limit provisions in this 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 made conforming changes to other definitions in Regulation D that refer to “savings deposit” as necessary.

The interim final rule permits, but does not require, 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 did not amend the Regulation D provisions regarding the reporting of deposits by depository institutions.

In connection with the interim final rule, temporary revisions were applied to the General Instructions of FR 2886b Schedule RC-E to remove references of the six-transfer limit and to state that 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

³ See 12 CFR 211.2(f).

deposit” or may instead choose to report that account as a “transaction account” based on an assessment of certain characteristics of the account. The temporarily revised instructions are published on the FR 2886b report form and instructions website.

However, the Board recognized that the adopted temporary revisions to the instructions for the FR 2886b created a reporting option that could result in the collection of ambiguous data by allowing a depository institution to report a savings deposit as either a “savings deposit” or a “transaction account” if the institution suspends enforcement of the six-transfer limit. To resolve this potential issue, the Board revised the FR 2886b Schedule RC-E instructions, to state that where the reporting institution has suspended the enforcement of the six-transfer limit rule on an account that otherwise meets the definition of a savings deposit, the institution must report such deposits as a “savings deposit” (and as a “nontransaction account”) or a “transaction account” based on an assessment of the following characteristics:

- 1) If the reporting institution does not retain the reservation of right to require at least seven days’ written notice before an intended withdrawal, the account must be reported as a demand deposit (and as a “transaction account”).
- 2) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is eligible to hold a Negotiable Order of Withdrawal (NOW) account, the account must be reported as an Automatic Transfer Service (ATS) account, NOW account, or a telephone and preauthorized transfer account (and as a “transaction account”).
- 3) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account must be reported as a savings deposit (and as a “nontransaction account”).

The revised FR 2886b instructions are consistent with corresponding recently approved revisions, related to the Regulation D amendments, to the Call Reports and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032).

Time Schedule for Information Collection

Edge and agreement corporations with assets of more than \$50 million file the FR 2886b quarterly as of the last calendar day of March, June, September, and December. Edges with assets of \$50 million or less file annually as of December 31st. Edges should file the FR 2886b within 30 calendar days of the as of date. If necessary, a respondent is permitted to take an additional 15 calendar days to submit its completed report without requesting an extension. Respondents are urged to use the additional time only if absolutely necessary.

Public Availability of Data

Aggregate data from the FR 2886b report are included in three Board statistical releases: the weekly H.6 release, *Money Stock Measures*; the weekly H.8 release, *Assets and Liabilities of Commercial Banks in the United States*; and the quarterly Z.1 release, *Financial Accounts of the*

United States. These statistical releases are available on the Board’s public website:
<https://www.federalreserve.gov/data.htm>.

Legal Status

The Board has the authority to require Edge and agreement corporations to submit the FR 2886b pursuant to sections 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625). The FR 2886b is mandatory.

For Edge and agreement corporations engaged in banking, current Schedules RC-M (with the exception of item 3) and RC-V are held confidential pursuant to exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)). For Edge and agreement corporations not engaged in banking, only information collected on Schedule RC-M (with the exception of item 3) are given confidential treatment pursuant to exemption 4 of FOIA (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On October 8, 2020, the Board published an initial notice in the *Federal Register* (85 FR 63553) requesting public comment for 60 days on the extension, with revision, of the FR 2886b. The comment period for this notice expired on December 7, 2020. The Board received a comment from a banker’s association. The Board also considered comments received on a comparable Call Report proposal, and adopted changes on the FR 2886b to maintain consistency with the Call Report.

Comments Received on Provision for Credit Losses on Off-balance Sheet Credit Exposures

The commenter noted the potential impact on other reports beyond the FR Y-9C of the GAAP change related to provision for credit losses on off-balance sheet credit exposures. These other reports include the FR 2314 (OMB No. 7100-0073), FR 2644 (OMB No. 7100-0075), FR 2886b (OMB No. 7100-0086), FR Y-7N (OMB No. 7100-0125), and FR Y-11 (OMB No. 7100-0244). The Board will consider conforming changes to the forms and instructions for the FR 2314, FR 2886b, FR Y-7N, and FR Y-11 in the future. Any such changes would be proposed by the Board through a separate *Federal Register* notice pursuant to the Paperwork Reduction Act. The Board does not intend to make conforming changes to the FR 2644 since this report is only comprised of balance sheet items and this GAAP-related change only impacts income statement items.

Comments Received on Final Regulation D Reporting Revisions

The Board did not receive comments on the proposal to finalize, on an interim basis, revisions to the FR 2886b instructions regarding the definition of “savings deposits” associated

with the amendments to the Board's Regulation D. The changes were effective as of June 30, 2020.

The commenter raised several concerns with the proposed changes related to the definition of "savings deposits" and the assessment criteria to remove certain optional reporting, and requested a clarification on the definition of "retail sweep arrangements." The commenter recommended that the revisions be consistent across reports. Specifically, the commenter recommended that savings deposits be classified consistently as transaction or nontransaction accounts across reports. The commenter stated that the differences in the treatment of savings deposits would require firms to report savings deposits as nontransaction accounts on the Call Reports, FR Y-9C, and FR 2886b, while the same deposits would be classified as a transaction account on the Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900; OMB No. 7100-0087). The commenter recommended that the Board provide clear and consistent definitions of "savings deposits," "transaction accounts," and "nontransaction accounts." In response to the commenter's recommendation, the Board will continue to maintain the requirement to report "savings deposits" as a component of nontransaction accounts on the FR 2886b in order to maintain consistency with the Call Report. The Board will also maintain the definition of "transaction accounts" and "nontransaction accounts" as currently stated in the FR 2886b instructions, which is consistent with the Call Report instructions. It is important to note the Call Report and FR Y-9C are principal sources of financial data used for supervision and regulation of the banking industry whereas the primary purpose of the FR 2900 report is to collect data for the construction of the monetary aggregates.

Secondly, regarding the proposed changes to the assessment criteria for "savings deposits," the commenter recommended that a depositor's eligibility to hold a NOW account should not be included in the criteria assessment to determine the reporting treatment for savings deposits for which the numeric limits on transfers and withdrawals have been removed. The commenter noted that "if a firm does not offer NOW accounts, they would be required to report savings deposits as NOW accounts, ATS accounts, or telephone and preauthorized transfer accounts (and as transaction accounts) based on a depositor's eligibility to hold such account" and "for firms that do not offer NOW accounts, the data necessary to determine a depositor's eligibility for NOW accounts would not be readily available."

In addition, the commenter noted that this reporting treatment would be inconsistent with the Regulation D definition of savings deposits, as NOW account eligibility is not a component of the definition. The commenter believed that gathering the data necessary to distinguish these depositors from other savings account holders solely for regulatory reporting purposes would create business and systems challenges. The Board agrees with the commenter that the depositor's eligibility to hold a NOW account should not be included in the assessment criteria for classification as a "savings deposit," as such reporting would not be consistent with the Regulation D definition of savings deposits. Therefore, the Board will remove the depositor's eligibility to hold a NOW account from the assessment criteria. The Board and other federal banking agencies have proposed comparable revisions to the Call Report.

Additionally, the commenter recommended that the effective date of the proposed revisions to the FR 2886b definition of "savings deposits" be delayed from December 31, 2020,

until June 30, 2021, to better align with the proposed effective dates of the FR 2900 and the Report of Foreign (Non-U.S.) Currency Deposits (FR 2915; OMB No. 7100-0087).⁴ The commenter noted that aligning the timing of the revisions would give firms additional time to implement any further changes made by the Board and other agencies in light of the comments received. In response to the commenter’s recommendation, the Board has deferred the effective date of the proposed revisions that requires a depository institution to report each account as a “savings deposit” or a “transaction account” based on the institution's assessment of account characteristics and removes the optionality in reporting savings deposits as either a “savings deposit” or a “transaction account” if the institution suspended the enforcement of the six-transfer limit until March 31, 2021. Choosing March 31, 2021 as the proposed effective date will align the FR 2886b Regulation D revisions with the Call Report and will provide institutions additional time to implement any necessary changes.

On January 4, 2021, the Board published a final notice in the *Federal Register* (86 FR 92).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2886b is 1,652 hours, and would remain unchanged with the revisions. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FR 2886b	<i>Estimated number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Banking				
Edge and agreement corporations (quarterly)	9	4	15.77	568
Edge and agreement corporations (annual)	1	1	15.87	16
Investment				
Edge and agreement corporations (quarterly)	21	4	11.81	992
Edge and agreement corporations (annual)	7	1	10.82	<u>76</u>
<i>Total</i>				1,652

⁴ See 85 FR 54577 (September 2, 2020) and 85 FR 83555 (December 22, 2020).

⁵ Of these respondents, 19 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 FR 2886b is \$95,403.⁶

Sensitive Questions

These collections of information contain 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 FR 2886b is \$204,300.

⁶ 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/>.