

**Supporting Statement for the
Reports of Foreign Banking Organizations
(FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has temporarily revised the Reports of Foreign Banking Organizations (FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125) pursuant to its authority to approve temporarily a collection of information without providing opportunity for public comment.¹ This information collection comprises the following three reports:

- Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations² (FR Y-7N),
- Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7NS), and
- Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q).

The FR Y-7N and FR Y-7NS collect financial information for non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company (BHC), financial holding company (FHC), or U.S. bank. FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually predominantly based on asset size thresholds. The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually. Part 1A of the FR Y-7Q is filed quarterly by FBOs that have effectively elected to become U.S. FHCs and by FBOs that have total consolidated assets of \$50 billion or more, regardless of FHC status. Part 1B of the FR Y-7Q is filed quarterly by FBOs with combined U.S. assets of \$100 billion or more, or combined U.S. assets of less than \$100 billion but total consolidated assets of \$250 billion or more. All other FBOs file the FR Y-7Q annually.

To mitigate temporary transition costs on banking organizations related to the coronavirus disease 2019 (COVID event), the Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (collectively, the agencies) issued an interim final rule³ to permit national banks, savings associations, state banks, bank holding companies, savings and loan holding companies, and U.S. branches and agencies of foreign banking organizations with under \$10 billion in total assets as of December 31, 2019, (community banking organizations) to use asset data as of December 31, 2019, in order to determine the applicability of various regulatory asset thresholds during the remainder of 2020 and calendar year 2021. Consistent with the interim final rule, the Board temporarily revised the instructions for the FR Y-7N and FR Y-7NS reports to allow a holding company to use asset data as of December 31, 2019, in order to determine reporting requirements. There are no revisions to the FR Y-7Q. The Board believes the changes to the measurement dates for the total asset thresholds used to determine additional reporting requirements will not result in a change in the

¹ 5 CFR Part 1320, Appendix A(1)(a)(3)(i)(A).

² Excludes nonbanking subsidiaries held through a U.S. bank holding company or U.S. bank subsidiary.

³ See 85 FR 77345 (December 2, 2020).

currently approved burden estimates. Therefore, the burden estimates for these reports remain unchanged by the interim final rule.

The estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-Q is 2,444 hours, and would remain unchanged. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

The Federal Reserve uses the data collected on the FR Y-7N and FR Y-7NS to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations. The FR Y-7Q collects consolidated regulatory capital and asset information from all FBOs. This information is not available from other sources.

Description of Information Collection

The FR Y-7N consists of an income statement and a balance sheet, schedules that collect information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries. Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of \$5 billion or more, as of the end of a quarter. FBOs commence quarterly reporting for these subsidiaries at the end of the quarter in which the subsidiaries meet the significance threshold. The FR Y-7N is filed annually, as of December 31, for each individual nonbank subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least \$500 million, but less than \$1 billion.

The FR Y-7NS is an abbreviated reporting form that collects net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-7NS is filed annually, as of December 31 by top-tier FBOs for each individual nonbank subsidiary (that does not meet the filing criteria for filing the detailed report) with total assets of at least \$250 million, but less than \$500 million.

The FR Y-7Q collects consolidated capital and asset information from all FBOs. Part 1 of the reporting form currently collects the following information: tier 1 capital, total risk-based capital, risk-weighted assets, total consolidated assets, total combined assets of U.S. operations, net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies, and total U.S. non-branch assets. In addition, an FBO that files the FR Y-7Q because it is a financial holding company (FHC) also must provide separate capital schedules on Part 2 of the FR Y-7Q quarterly for each lower-tier FBO operating a branch, agency, Edge or agreement corporation, or commercial lending company in the United States. Part 1A of the FR Y-7Q is filed quarterly by FBOs if the top-tier FBO or any FBO in its tiered structure has effectively elected to be an FHC and by FBOs with total consolidated assets of \$50 billion or more,

regardless of FHC status. Part 1B of the FR Y-7Q is filed quarterly by FBOs with combined U.S. assets of \$100 billion or more, or combined U.S. assets of less than \$100 billion but total consolidated assets of \$250 billion or more. The FR Y-7Q is filed annually if the FBO or any FBO in its tiered structure has not effectively elected to be a FHC and the FBO has total consolidated assets of less than \$50 billion.

Respondent Panel

Top-tier FBOs file the FR Y-7N and FR Y-7NS reports for their nonbank subsidiaries. Additionally, top-tier FBOs file the FR Y-7Q report.

Temporary Revisions

The delegation of authority to the Board from OMB that permits the Board to approve collections of information under the Paperwork Reduction Act includes the authority to temporarily approve a collection of information without seeking public comment. To exercise this authority, the Board must determine that a new collection of information or a change to an existing collection must be instituted quickly and that public participation in the approval process would substantially interfere with the Board's ability to perform its statutory obligation. Following the temporary approval of an information collection, the Board must conduct a normal delegated review of the collection within six months, including publishing in the *Federal Register* a notice seeking public comment.

During 2020, relief measures enacted by Congress through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the strains on the U.S. economy and disruptions to the financial markets as a result of COVID-19 have led to unprecedented growth at many institutions, including loans made through the Paycheck Protection Program (PPP). This rapid growth has caused the assets of some institutions to rise above certain asset-based thresholds, and may cause other institutions to do so in the near future. Much of this growth, especially growth related to PPP lending, is likely to be temporary, and the increase in assets currently held by an institution may not reflect a change in the institution's longer-term risk profile. Community banking organizations have played an instrumental role in the nation's financial response to the COVID event and many have experienced unexpected and sharp increase in assets, swelling their balance sheets in some cases by more than 25 percent. Further, community banking organizations have originated a disproportionately large percentage of PPP loans, as compared with the organizations' market share.

Many community institutions may have unexpectedly crossed these total asset thresholds during 2020 due to participation in CARES Act relief programs or other COVID-19-related stimulus activities, which would otherwise trigger additional reporting obligations starting in calendar year 2021. The Board expects some of these institutions may fall below the relevant total asset threshold as of June 30, 2021, for example, after forgiveness of PPP loans and redemption of borrowings obtained through the Board's PPP liquidity facility. The Board does not want to create a short-term increase in burden on these community institutions to comply with the additional reporting for a single year. For community institutions that remain above a total asset threshold as of the June 30, 2021, measurement date, the one-year reporting relief

provided in the interim final rule would assist those institutions in focusing on COVID-19-related stimulus activities in the near term while providing additional time to comply with any additional reporting requirements starting in 2022 rather than 2021.

The interim final rule adjusts for community banking organizations the measurement dates for certain total asset thresholds that would otherwise trigger additional collection requirements for the remainder of calendar years 2020 through the end of 2021. The temporary relief applies only to filing requirements associated with asset-based reporting thresholds of \$10 billion or less. To implement the interim final rule, the Board is temporarily revising the instructions for the following reports: FR Y-7N, and FR Y-7NS. The revised instructions instruct community banking organizations to use the lesser of total assets as of December 31, 2019, or the most recent applicable measurement period to determine the applicability of asset-based filing thresholds for the remainder of calendar years 2020 through the end of 2021. All reporting eligibility criteria for these collections, besides the temporarily revised total assets measurement date, continue to apply. Holding companies must revert back to normal measurement dates for determining applicability of the reporting requirements in calendar year 2022, as summarized in Table 1 of the interim final rule.

Time Schedule for Information Collection

FBOs are required to file the FR Y-7N (quarterly or annual) and FR Y-7NS reports 60 days after the report date. All FBOs are required to file the FR Y-7Q within 90 days after the report date. Respondents self-determine, as of the reporting date, whether they meet the thresholds for filing quarterly.

Public Availability of Data

The data from the FR Y-7N, FR Y-7NS, and FR Y-Q reports that are not given confidential treatment are available to the public and are available through the Board's Freedom of Information Office, but are not published routinely.

Legal Status

The FR Y-7N, FR Y-7NS, and FR Y-Q are authorized by section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(c)) and sections 8(c) and 13 of the IBA (12 U.S.C. §§ 3106(c) and 3108). Section 165 of the Dodd-Frank Act (12 U.S.C. § 5365) directs the Board to establish enhanced prudential standards for certain companies, including certain FBOs. The obligation of covered institutions to report this information is mandatory.

Information disclosed in these reports is collected as part of the Board's supervisory process and may be accorded confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(8)), but information that is required to be disclosed publicly is generally not considered confidential. However, individual respondents may request that certain data be protected pursuant to exemptions 4 and 6 (5 U.S.C. §§ 552(b)(4) and (6)) of FOIA, where such data relates to trade secrets and financial information, or to personal

information, respectively. The applicability of these exemptions would have to be determined on a case-by-case basis.

Consultation Outside the Agency

The Board coordinated and consulted with the FDIC and OCC regarding the temporary revisions to the FR Y-7N and FR Y-7NS.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-Q is 2,444 hours, and would remain unchanged. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR Y-7N, FR Y-7NS, and FR Y-Q	<i>Estimated number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR Y-7N (quarterly)	35	4	7.6	1,064
FR Y-7N (annual)	19	1	7.6	144
FR Y-7NS	22	1	1	22
FR Y-7Q (quarterly)	130	4	2.25	1,170
FR Y-7Q (annual)	29	1	1.5	<u>44</u>
<i>Total</i>				2,444

The estimated total annual cost to the public for the FR Y-7N, FR Y-7NS, and FR Y-Q is \$141,141.⁵

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

⁴ Of these respondents, 1 FR Y-7N (quarterly) filer; 5 FR Y-7N (annual) filers; and 22 FR Y-7NS filers 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>. There are no special accommodations given to mitigate the burden on small institutions.

⁵ 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/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR Y-7N, FR Y-7NS, and FR Y-Q is \$158,800.