

**Supporting Statement for the
Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations
(FR 2314 and FR 2314S; OMB No. 7100-0073) and
Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies
(FR Y-11 and FR Y-11S; OMB No. 7100-0244)**

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 Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314 and FR 2314S; OMB No. 7100-0073) and Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11 and FR Y-11S; OMB No. 7100-0244) pursuant to its authority to approve temporarily a collection of information without providing opportunity for public comment.¹ This information collection comprises the following four reports:

- Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314),
- Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S),
- Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11), and
- Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11S).

The FR 2314 reporting forms collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks (SMBs), Edge and agreement corporations, and holding companies (i.e., bank holding companies, savings and loan holding companies, securities holding companies, and intermediate holding companies). Parent organizations (SMBs, Edge and agreement corporations, or holding companies) file the FR 2314 on a quarterly or annual basis, or the FR 2314S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds. The FR 2314 data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

The FR Y-11 reporting forms collect financial information for individual nonfunctional regulated U.S. nonbank subsidiaries of domestic holding companies, which is essential for monitoring the subsidiaries' potential impact on the condition of the holding company or its subsidiary banks. Holding companies file the FR Y-11 on a quarterly or annual basis or the FR Y-11S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds. The FR Y-11 data are used with other holding company data to assess the condition of holding companies that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations.

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

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 rule² 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 2314, FR 2314S, FR Y-11, and FR Y-11S reports to allow a holding company to use asset data as of December 31, 2019, in order to determine reporting requirements. 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 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 2314 reports is 14,664 hours, and would remain unchanged. The estimated total annual burden for the FR Y-11 reports is 15,237 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 FR 2314 reports are the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign nonbank subsidiaries of U.S. banking organizations and the data are used to monitor the growth, profitability, and activities of these foreign companies. The data help the Federal Reserve identify present and potential problems of these companies, monitor their activities in specific countries, and develop a better understanding of activities within the industry and within specific institutions. This information, coupled with information from the Foreign Branch Reports of Condition (FFIEC 030; OMB No. 7100-0071), provides a picture of the breadth and scope of international banking operations for U.S. holding companies both individually and in the aggregate.

The FR Y-11 reports collect financial information for individual U.S. nonbank subsidiaries of domestic holding companies, which is essential for monitoring the subsidiaries' potential impact on the holding company or its subsidiary banks' condition. Consolidated and parent company only data do not reveal the extent of the problems that may exist within the nonbank subsidiaries because the size and operations of bank subsidiaries can mask the operations of nonbank subsidiaries in a consolidated report.

In addition to providing information used in the supervision of holding companies, the FR Y-11 reports provide essential information to assist the Federal Reserve in the formulation of regulations and supervisory policies. The data are also used by the Federal Reserve to respond to requests from Congress and the public for information on holding companies.

² See 85 FR 77345 (December 2, 2020).

Description of Information Collection

The FR 2314 reports collect financial information for direct or indirect foreign subsidiaries of U.S. SMBs, Edge and agreement corporations, and holding companies. The FR 2314 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. A parent U.S. banking organization must file the FR 2314 quarterly, as of the last calendar day of March, June, September, and December, for its subsidiary if the subsidiary is owned or controlled by a parent U.S. holding company that has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) to meet supervisory needs, or the subsidiary is owned or controlled by a SMB or an Edge or agreement corporation that has total consolidated assets equal to or greater than \$500 million, and the subsidiary has (1) total assets of \$1 billion or more, (2) total off-balance-sheet activities of at least \$5 billion, (3) equity capital of at least 5 percent of the top-tier organization's consolidated equity capital, or (4) operating revenue of at least 5 percent of the top-tier organization's consolidated operating revenue. The FR 2314 is filed annually, as of December 31, for each individual 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 2314S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR 2314S is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing the FR 2314) with assets of at least \$250 million but less than \$500 million.

Domestic holding companies file the FR Y-11 reports for their U.S. nonbank subsidiaries. The FR Y-11 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, loans, and a memoranda section. A top-tier holding company must file the FR Y-11 quarterly for each nonbank subsidiary that it owns and controls if the top-tier holding company has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs and the subsidiary meets any one of the following criteria: (1) total assets of \$1 billion or more, (2) total off-balance-sheet activities of at least \$5 billion, (3) equity capital of at least 5 percent of the top-tier holding company's consolidated equity capital, or (4) operating revenue of at least 5 percent of the top-tier holding company's consolidated operating revenue. The FR Y-11 is filed annually, as of December 31, by top-tier holding companies for each individual nonbank subsidiary that does not meet the criteria for filing quarterly with total assets of at least \$500 million, but less than \$1 billion.

The FR Y-11S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-11S is filed annually, as of December 31, by top-tier holding companies for each individual nonbank subsidiary that does not meet the criteria for filing the FR Y-11 with total assets of at least \$250 million, but less than \$500 million.

Respondent Panel

U.S. banking organizations file the FR 2314 and FR 2314S for its foreign subsidiaries. U.S. holding companies file the FR Y-11 and FR Y-11S for U.S. nonbank subsidiaries owned or controlled.

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 2314, FR 2314S, FR Y-11, and FR Y-11S. 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

Holding companies are required to file the quarterly the FR 2314 and the FR Y-11 as of the end of March, June, September, and December, and must submit them within sixty days after the as of date. The annual FR 2314 and FR Y-11, the FR 2314S, and the FR Y-11S are filed as of December 31 and are also submitted within sixty days after the as of date. The FR 2314 annual, FR 2314S, FR Y-11 annual, and FR Y-11S are filed as of December 31 and are also submitted within sixty days after the as of date.

Public Availability of Data

The data from the FR 2314 and FR Y-11 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 Board has the authority to require bank holding companies and any subsidiary thereof, savings and loan holding companies and any subsidiary thereof, and securities holding companies and any affiliate thereof to file the FR 2314 and FR Y-11 pursuant to, respectively, section 5(c) of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844(c)), section 10(b) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)), and section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 1850a). The Board has the authority to require SMBs, agreement corporations, and Edge corporations to file the FR 2314 pursuant to, respectively, sections 9(6), 25(7), and 25A(17) of the Federal Reserve Act (12 U.S.C. §§ 324, 602, and 625). With respect to FBOs and their subsidiary intermediate holding companies, section 5(c) of the BHC Act, in conjunction with section 8 of the International Banking Act of 1978 (12 U.S.C. § 3106), authorizes the board to require FBOs and any subsidiary thereof to file the FR 2314 reports and FR Y-11 reports. These reports are mandatory.

Information collected in these reports generally is not considered confidential. However, because the information is collected as part of the Board's supervisory process, certain information may be afforded confidential treatment pursuant to exemption 8 of FOIA (5 U.S.C. § 552(b)(8)). Individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publicly disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent (5 U.S.C. § 552(b)(4)). Additionally, individual respondents may request that personally identifiable information be afforded confidential treatment pursuant to exemption 6 of FOIA if the release of the information would constitute a clearly unwarranted invasion of personal privacy (5 U.S.C. § 552(b)(6)). The applicability of these FOIA exemptions would 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 2314, FR 2314S, FR Y-11, and FR Y-11S.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2314 reports is 14,664 hours, and would remain unchanged. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 2314 and FR 2314S	<i>Estimated number of respondents³</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2314 (quarterly)	439	4	7.2	12,643
FR 2314 (annual)	239	1	7.2	1,721
FR 2314S	300	1	1	<u>300</u>
<i>Total</i>				14,664

The estimated total annual cost to the public for the FR 2314 reports is \$846,846.⁴

³ Of these respondents, 48 FR 2314 (quarterly) filers; 40 FR 2314 (annual) filers; and 300 FR 2314S 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.

⁴ 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/>.

As shown in the table below, the estimated total annual burden for the FR Y-11 reports is 15,237 hours, and would remain unchanged. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR Y-11 and FR Y-11S	<i>Estimated number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR Y-11 (quarterly)	445	4	7.6	13,528
FR Y-11 (annual)	189	1	7.6	1,436
FR Y-11S	273	1	1	<u>273</u>
<i>Total</i>				15,237

The estimated total annual cost to the public for the FR Y-11 reports is \$879,937.⁶

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 2314 and FR 2314S is \$83,200. The estimated cost to the Federal Reserve System for collecting and processing the FR Y-11 and FR Y-11S is \$110,600.

⁵ Of these respondents, 153 FR Y-11 (quarterly) filers; 189 FR Y-11 (annual) filers; and 273 FR Y-11S 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.

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/>.