

Supporting Statement
OMB Control No. 1557-0100
(MA) - Country Exposure Report and Country Exposure Information Report
(FFIEC Forms 009 and 009a)

A. Justification

1. *Circumstances that make the collection necessary:*

The OCC, in conjunction with the other Federal banking supervisory agencies, pursuant to section 907 of the International Lending Supervision Act of 1983 (Title 9, Pub. L. 98-181, 97 Stat, 1153) and 12 CFR 28, requires national banks to report quarterly, their exposures in foreign countries and to provide information regarding material exposures in foreign countries.

This information is critical in determining and monitoring the soundness of national banks, state-chartered banks and banking organizations conducting business worldwide. A number of borrowers in other countries have experienced difficulties in paying the loans granted to them by U.S. national banks. This inability to pay, or a delay in repayment, can impair a bank's liquidity, affect a bank's market rating and acceptability, and thus, adversely affect its access to and cost of funding and capital, and can affect a bank's earnings.

2. *Purpose and Use of the Information Collection:*

The Country Exposure Report (FFIEC 009) is used by the OCC to monitor overseas exposure of U.S. banks in individual countries. The OCC and the other Federal financial institutions regulators (the agencies) use the report to analyze trends in overseas lending by individual U.S. banks and the U.S. banking system as a whole. The data are preliminary indicators of relative levels of risk undertaken by individual banks and serve as a crucial tool in the examination process. The reported data are essential for research, bank supervision and policy formulation within the agencies.

The Federal Reserve Board makes this information available in aggregate form to the Bank for International Settlements (BIS). The BIS periodically issues data on the overall indebtedness of various countries throughout the world. The data abstracted from the Country Exposure Report are uniquely valuable to the BIS since it provides insight on short-term indebtedness of various countries owed to U.S. banks, which is not available from other sources. BIS data are utilized by banks, governments, and analysts in determining the total debt burden of various countries. The Federal Financial Institutions Examination Council (FFIEC) issues a quarterly release, which displays the aggregate amounts reported by respondent banks. This information is used by banks, government agencies, and analysts.

The Country Exposure Information Report (FFIEC 009a) is used by the OCC for examination purposes. Further, the information is disclosed to the public via the FFIEC's Internet Website (<http://www.ffiec.gov/E16.htm>) and on request. This information provides bank depositors,

other creditors, and investors a better understanding of an individual national bank's foreign exposures.

3. *Consideration of the use of improved information technology:*

These reports are collected and processed by the Board on behalf of the agencies via the Federal Reserve System's Internet Electronic Submission (IESUB) system. Electronic filing capability via IESUB is available on the Internet through the use of data entry or a file transfer feature. These methods are secure and result in a minimal burden to banks and bank holding companies.

4. *Efforts to Identify Duplication and Use of Similar Information:*

The data are unique. They are not otherwise collected.

5. *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden:*

The collections of information do not impact small banks or other small entities. Banks with aggregate international exposures of under \$30 million are not required to file either report. Therefore, small banks are not affected by these requirements.

6. *Consequences of Collecting the Information Less Frequently:*

Federal statutes preclude less frequent reporting and disclosure. Further, since the information is used for bank supervisory purposes and for persons to make financial decisions, stale information would have much less practical utility to the users of the information.

7. *Special Circumstances Relating to the Guidelines in 5 CFR 1320:*

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. *Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency:*

On January 20, 2022, the agencies published a notice in the **Federal Register** (87 FR 3170) for 60 days of comment concerning the collection. The agencies received one comment letter from a banking trade association. The commenter requested clarification of certain aspects of the proposed FFIEC 009 and FFIEC 009a reporting forms and instructions.

First, the commenter noted that the proposed change to the naming of headers for Columns 13 through 17 and 18 through 22 of Schedule C, Part I, which the agencies stated would be a nonsubstantive change, could imply that the risk transfers reported on the FFIEC 009 would be limited to only those with guarantors in countries other than that of the immediate counterparty, but would no longer include risk transfers between different sectors within the same country. The commenter recommended renaming the headers to include both other sectors

and other jurisdictions to ensure there would be no substantive change in reporting. The agencies agree with the commenter's recommendation. It is the agencies' intent that risk transfers continue to be reported according to existing reporting practices and in line with the instructions.

Second, the commenter asked for clarification on whether claims where cash collateral is provided should be included in Column 18 of Schedule C, Part II. Furthermore, the commenter stated that the use of "collateral" with respect to Column 18 seems out of place and is not parallel to the instructions for Column 17. In response to the comment, the agencies decided to combine the instructions for Columns 17 and 18 to emphasize that the same claims are to be reported, but the risk is to be assigned by different criteria. Furthermore, the revised instructions clarify that cash held as collateral should not be reported in these columns.

Third, with regards to Schedule C, Part II, columns, 13 through 18, the commenter asked for clarification on the reporting of collateral held against claims where risk transfer occurs because the guarantor is located in a different country, or is from a different sector than the immediate counterparty even though collateral held against the claim does not meet the definition of collateral for risk transfer. This would occur in an overnight resale agreement, collateralized by securities, with a foreign branch of a bank that is headquartered in a third country. In response to the comment, the agencies decided to amend the instructions to clarify that collateral held against claims that are subject to risk transfer does not need to be reported in columns 13 through 18 of Schedule C, Part II.

Fourth, the commenter requested clarification on the reporting basis for Columns 1 and 2 of Schedule L, as the agencies proposed to rename the reporting basis for these columns in Appendix A of the instructions but did not propose to change the substantive instructions. The commenter proposed to amend the instructions for these columns to state that deposits of a foreign branch are assumed to be liabilities of the branch unless they are explicitly guaranteed outside of the country where the branch is located. This represents a change from the current instructions, which refer to deposits that are redeemable elsewhere (rather than guaranteed elsewhere). The agencies consider the modification as originally proposed to be a change in name rather than a substantive alteration. The agencies note that there was no change in the instructions for Columns 1 and 2 of Schedule L from the 2019 version and the proposed amendment is out of scope for the current revision. Accordingly, the agencies have decided not to change the corresponding instructions as recommended by the commenter. However, after further consideration and in the interest of clarity, the agencies have decided to leave blank the "Reporting Basis" entry in Appendix A (rightmost column) in the row addressing Columns 1 and 2 of Schedule L (which was originally proposed to be "Guarantor Basis"). This change provides a useful clarification because the location is that of the foreign office, not the counterparty, and thus neither Immediate-Counterparty nor Guarantor Basis is applicable. Furthermore, as established in section II.C of the FFIEC 009 general instructions, the Immediate-Counterparty versus Guarantor Basis distinction is to be reported only for claims and not for liabilities.

Fifth, the commenter noted that the draft reporting instructions for Column 2 of the FFIEC 009a report instruct firms to report the sum of Columns 6 through 10 from Schedule C, Part I, of the FFIEC 009 report, which are "Claims on Local Residents in Non-Local Currency." However, the proposal does not provide an indication in the heading for Column 2 of the FFIEC 009a that the data reported in the column should be limited to only claims on local residents in non-local currency, nor is there any reference in the draft instructions for the reporting of claims on local residents in local currency. The commenter recommended the agencies clarify whether the data in Column 2 should include claims on local residents in both local and non-local

currencies and subsequently modify the heading for Column 2 to clearly specify what is to be captured.

The commenter also stated if the intention for new Columns 1 and 2 of the FFIEC 009a is to collect data on the total claims by the immediate counterparty and as a result should reflect the claims in both local and non-local currencies, the agencies should clarify the reporting instructions for Column 2 to reference Column 12 from Schedule C, Part I of the FFIEC 009 to incorporate claims on local residents in local currency. The agencies agree both new Columns 1 and 2 of the FFIEC 009a should reflect total claims by immediate counterparty and Column 2 should include claims that are reflected in column 12, Schedule C, Part 1 of the FFIEC 009, in addition to those reflected in columns 6 through 12. Therefore, the agencies agree with the commenter's recommendation to include a reference to Column 12 from Schedule C, Part I of the FFIEC 009 in the FFIEC 009a instructions for Column 2 and will modify the heading for Column 2 on the FFIEC 009a report form to specify what is included.

Sixth, the commenter noted that Schedule D of the FFIEC 009 collects information on the fair value of derivative contracts, and the headers for new Column 1 "Amount of Cross-border Claims Outstanding" and Column 2 "Amount of Foreign Office Claims on Local Residents" of the FFIEC 009a explicitly indicate that firms should exclude derivative products. The commenter pointed out that referencing Schedule D in the instructions for new Columns 8 through 11 of the FFIEC 009a created an inconsistency and recommended removing the references to Schedule D from the instructions of Columns 8 through 11. The agencies note that the amounts in Columns 8 through 11, which are reported on an immediate counterparty basis, correspond to the cross-sectoral aggregated amounts in Columns 1 and 2 which are not intended to include derivatives. Therefore, the agencies agree with the commenter's recommendation to remove the references to Schedule D of the FFIEC 009.

Seventh, the commenter noted an inconsistency in the proposed FFIEC 009a instructions for Column 3 "Amount of Cross-border Claims Outstanding After Mandated Adjustments for Transfer of Exposure (excluding derivative products)" (existing Column 1), Column 4 "Amount of Foreign Office Claims on Local Residents (excluding derivative products)" (existing Column 2) and Columns 12 through 15 (existing Columns 6 through 9), which redistribute the same amounts reported in Columns 3 and 4. The commenter noted that there is a conflict because, by including references to FFIEC 009 Schedule D, the instructions imply that Columns 12 through 15 include derivative products, while derivatives are explicitly excluded from Columns 3 and 4. The commenter recommended that the agencies revise the reporting instructions for Columns 12 through 15 to remove the references to the FFIEC 009, Schedule D thereby removing derivatives from the reporting of guarantor basis claims in the sector breakdown of Columns 12 through 15. The agencies agree there is an inconsistency, Columns 3 and 4 correctly exclude derivatives, whereas Columns 12 through 15 are intended to include derivatives. Derivatives are listed in Column 5 and included in Column 6, total claims on a guarantor basis, which is the sum of Columns 3, 4, and 5. Therefore, the agencies will revise the column headers and the instructions for Columns 12 through 17 of the FFIEC 009a to reference the total in Column 6 and note derivative products are to be included. Therefore, Columns 12 through 15 will include derivatives and retain the references to Schedule D of the FFIEC 009.

Eighth, the commenter noted that, given the changes to the FFIEC 009 and the renumbering of columns, the instructions for the new Column 24 (currently Column 18) of the FFIEC 009a "Of Which, Resale Agreements and Securities Lending (Counterparty)" incorrectly references FFIEC 009 Schedule C, Part II, Column 16. Additionally, the commenter noted that

the column header for Column 24 does not include “Reverse Repurchase Agreements” which is inconsistent with the column headers of Columns 17 and 18 on the FFIEC 009, Schedule C, Part II, which are “Of Which, Resale and Reverse Repurchase Agreements and Securities Lending (Counterparty)” and “Of Which, Resale and Reverse Repurchase Agreements and Securities Lending (Collateral),” respectively. Therefore, the commenter recommended that the agencies revise the reporting instructions for Column 24 of the FFIEC 009a to reference Column 17 of Schedule C, Part II of the FFIEC 009 and revise the header for Column 24 of the FFIEC 009a, to read “Of Which, Resale and Reverse Repurchase Agreements and Securities Lending (Counterparty),” to be consistent with the headers in the corresponding columns of the FFIEC 009. The agencies agree with the commenter and will revise the instructions and headers accordingly.

Lastly, the commenter expressed a concern that there is potentially conflicting guidance regarding CUSIP netting practices in the FFIEC 009. Specifically, the commenter noted that the agencies had provided one method for netting in a Frequently Asked Question issued in September 2015, while a different method was described in informal guidance during a 2016 regulatory reporting seminar conducted by one of the agencies. In 2019, the agencies received a related comment on whether CUSIP netting in the FFIEC 009 should follow U.S. GAAP. In response to that comment, the agencies clarified that CUSIP netting should not follow U.S. GAAP and reiterated that the current FFIEC 009 instructions (incorporating the method described in September 2015) is the correct method for CUSIP netting in the FFIEC 009.¹ The agencies continue to confirm that only the CUSIP netting method described in the FFIEC 009 instructions is appropriate.

9. Explanation of Any Payment or Gift to Respondents:

There is no payment/gift to respondents.

10. Assurance of Confidentiality Provided to Respondents:

The FFIEC 009 information collection is given confidential treatment (5 U.S.C. 552(b)(4) and (b)(8)). The FFIEC 009a information collection is not given confidential treatment.

11. Justification for questions of a sensitive nature:

The collection does not contain questions of a sensitive nature.

12. Burden estimate:

Estimated Number of Respondents: 10 (FFIEC 009), 4 (FFIEC 009a).

Estimated Average Time per Response: 135 hours (FFIEC 009), 6.5 hours (FFIEC 009a).

Estimated Total Annual Burden: 5,400 hours (FFIEC 009), 104 hours (FFIEC 009a).

¹ See 84 FR 47340, 47342 (Sept. 9, 2019).

Cost of Hour Burden:

5,504 hours x \$119.63 per hour = \$658,400 (approx.)

To estimate wages the OCC reviewed May 2021 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses \$119.63 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (6.1 percent as of Q1 2022), plus an additional 32.8 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2021 for NAICS 522: credit intermediation and related activities).

13. *Estimates of Other Total Annual Costs to Respondents and/or Recordkeepers:*

None.

14. *Annualized Cost to the Federal Government:*

None.

15. *Explain the reasons for any program changes or adjustments in burden:*

Current Burden: 5,884 hours.

Proposed Burden: 5,504 hours

Difference: - 380 hours

The net reduction in burden of 380 hours was due to two factors. Since the last renewal, there was a reduction in the number of respondents, which reduced total burden by 548 hours. There was also an increase in the burden per collection due to the changes discussed in the notice, which increased total burden by 168 hours.

16. *Information regarding collections whose results are planned to be published for statistical use:*

Not applicable.

17. *Reason(s) Display of OMB Expiration Date is Inappropriate:*

Not applicable.

18. *Exceptions to Certification for Paperwork Reduction Act Submissions:*

There are no exceptions to the certification.

B. Collections of Information Employing Statistical Methods

Not applicable.