

SUPPORTING STATEMENT
COUNTRY EXPOSURE REPORT
(OMB No. 3064-0017)

INTRODUCTION

Under the auspices of the Federal Financial Institutions Examination Council (FFIEC), the FDIC is requesting OMB approval to extend for three years, with revision, the quarterly Country Exposure Report (form FFIEC 009) and the Country Exposure Information Report (form FFIEC 009a). These reports provide information regarding the amounts and composition, by country, of the foreign country exposures of U.S. banking institutions. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting this revision for OMB review for the banking institutions under their supervision.

This reporting and disclosure requirement is authorized by Sections 7 and 10 of the Federal Deposit Insurance Act (12 U.S.C. 1817 and 1820) and Sections 907(a) and (b) of the International Lending Supervision Act of 1983 (12 U.S.C. 3906(a) and (b)), as implemented by Section 347.305 of the FDIC's regulations (12 CFR 347.305), which requires FDIC-supervised banking institutions to submit quarterly reports to the FDIC and to disclose to the public material country exposures.

The agencies are proposing five revisions to FFIEC 009 and 009a. Proposed Revision A is the renaming of a column on FFIEC 009. The agencies do not consider this modification to be substantive. Proposed Revision B is the addition of two columns to FFIEC 009 which would improve information on the origin of the underlying securities acting as collateral for claims with no risk transfer. Proposed Revision C adjusts the reporting thresholds on FFIEC 009a. Currently, FFIEC 009a is separated into two different parts with different levels of specificity and different reporting thresholds. Proposed Revision C would require higher levels of specificity at the lower thresholds, thus creating only one reporting threshold and only one part in FFIEC 009a. Proposed Revision D adds six columns to FFIEC 009a that parallel existing columns in FFIEC 009a, but would be reported on an immediate-counterparty basis rather than a guarantor basis. Proposed Revision E refers to the change in time per response as a result of the aforementioned revisions. Please see 87 FR 3170 Section 2 Subsections A., B., C., D., and E. for more information.¹

A. JUSTIFICATION

1. Circumstances and Need

Pursuant to Section 907 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906), banking institutions must report at least quarterly the amount and composition of their foreign country exposures. This information is crucial in determining (and monitoring) the soundness of the reporting institution as well as the U.S. banking system. A number of borrowers in foreign countries have experienced difficulties in paying the loans granted to them by U.S. banking institutions. This inability to pay or delays in repayment can impair a banking institution's

¹ See 87 FR 3170 at <https://www.govinfo.gov/content/pkg/FR-2022-01-20/pdf/2022-01013.pdf>.

liquidity; affect an institution's market rating and acceptability and, thus, its access to and cost of funding and capital; and affect an institution's earnings.

The Country Exposure Report has been required of U.S. banking institutions since 1979. Since 1984 the report has been collected on a quarterly basis. Periodically, the federal banking agencies jointly, under the auspices of the FFIEC, make revisions to the report to improve the agencies' ability to determine and monitor the soundness of U.S. banking institutions. FDIC-supervised banking institutions submit their reports under the provisions of Section 347.305 of the FDIC's Regulation (12 CFR 347.305).

The Country Exposure Report (form FFIEC 009) is the only method the federal banking agencies have to systematically monitor the foreign country exposures of U.S. banking institutions in individual foreign countries. In February 1984, the FFIEC sanctioned collection of the supplementary Country Exposure Information Report (form FFIEC 009a) to implement the public disclosure requirements of the International Lending Supervision Act of 1983. The reports are required to be submitted to the federal banking agencies by (a) insured banks and savings associations that have foreign offices or an international banking facility (IBF) and have claims on residents of foreign countries of more than \$30 million, (b) certain bank and savings and loan holding companies, and (c) such other banks, savings associations, and holding companies with country exposure that is large relative to capital, as determined by the agencies. This proposal would extend the country exposure reporting requirements to IHCs supervised by the FRB.

2. Use of Information Collected

On the currently approved versions of the Country Exposure Report (form FFIEC 009) , outstanding claims are broken down by type of borrower, i.e., banks, public sector, corporate, household, and non-bank financial institutions. This disaggregation allows supervisors to analyze risks by counterparty type. Outstanding claims with a remaining maturity of one year or less are also reported on the FFIEC 009. The existing FFIEC 009 reporting form provides a methodology to reallocate guaranteed obligations to the country of the guarantor to facilitate identification of the country of residence of the party with ultimate responsibility for the obligation.

Data reported on the FFIEC 009 on collateral held against claims provides information for supervisors to assess net risks based on their assumptions about the benefits of the collateral, and also produces insight into reporting institutions' own internal calculations of foreign country exposure, which typically take collateral into account.

The FFIEC 009 report also requests data on firm commitments of banks to advance additional funds in countries covered by the report, local currency assets and liabilities of bank branches in those countries, exposures covered by U.S. government guarantees, the funding relationship of the bank's other branch offices vis-a-vis offices in those countries, and foreign exchange and derivative products with a positive fair value. Data on gross credit derivatives purchased and sold also are collected along with a conservatively netted (i.e., at the counterparty and reference

entity level) version of credit derivatives purchased and sold. These data provide a more complete view of a reporting institution's credit derivative exposures.

The data reported on the FFIEC 009 serve an important purpose by ensuring consistency of reporting across institutions for a number of important components of foreign country exposure. These data improve supervisors' ability to compare the amount of one institution's exposures to those of its peers for a country or set of countries, analyze the aggregate exposure of U.S. banking institutions to foreign obligors, and monitor trends in exposures.

Thus, the Country Exposure Report is used to analyze trends in overseas lending and other extensions of credit by individual U.S. banking institutions and the U.S. banking system as a whole. The data can be used as a preliminary indicator of relative levels of risk undertaken by the individual banking institutions that file these reports and serve as a crucial tool in the examination process of these institutions. The reported data are essential for research, risk management supervision, and policy formulation within the banking agencies. Furthermore, the inclusion of the United States as a country for which exposures are reported in the FFIEC 009 report, which took effect December 31, 2013, enables an institution to reconcile the amounts reported on this report to those reported on its FR Y-9C report or Call Report (FFIEC 031), as appropriate, which includes exposures to U.S. obligors. This information enhances the agencies' ability to conduct effective analysis of foreign and domestic exposures.

On behalf of the three banking agencies, the FRB makes the reported country exposure information available, in aggregate form, to the Bank for International Settlements (BIS), Basel, Switzerland. The BIS periodically issues statistical 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 they provide insights on short-term indebtedness of various countries (including that portion owed to U.S. banking institutions) which are not ordinarily available from the country. The BIS also compiles and publishes international banking statistics on banks' risk exposures including, in particular, country risk. With the inclusion of the United States, the data reported on the FFIEC 009 enables the U.S. banking agencies to provide the BIS with the statistical data it needs for U.S. banking institutions. BIS data are utilized by a number of banks, governments, and analysts in determining the total debt burden of various countries.

The Country Exposure Information Report (form FFIEC 009a) collects data on exposures exceeding certain thresholds. Included in Part A are exposures to a country which exceed the lesser of 1 percent of the respondent bank's assets or 20 percent of capital. Included in Part B are exposures, not large enough to report in Part A, but which exceed the lesser of 0.75 percent of assets or 15 percent of capital. The respondent bank needs only to list the names of the countries and the aggregate amount of exposure for all the countries listed under Part B. The form FFIEC 009a is available to the public. The FFIEC 009a data allow market participants to analyze exposure data to individual countries where the aggregate amount is significant.

3. Use of Technology to Reduce Burden

Effective with the March 31, 2003, report date, the FFIEC required electronic submission of all FFIEC 009 and 009a reports. The Federal Reserve Bank of New York currently collects and

processes the FFIEC 009 and 009a reports on behalf of the three banking agencies via the Federal Reserve System's "Reporting Central" Internet reporting application. The overall reporting functionality of "Reporting Central" allowing for a secure, technically advanced, and efficient data collection and processing system that encompasses a single point of entry, i.e., the FedLine® Web access solution, for electronic submission and file uploads.

Electronic submission via "Reporting Central" is designed to impose a minimal burden on banking institutions that file the FFIEC 009 and FFIEC 009a reports.

4. Efforts to Identify Duplication

Data submitted on the FFIEC 009 and the FFIEC 009a are unique in that they are used for supervising international risk exposures in U.S. banking institutions. The U.S. Treasury Department collects certain information from U.S. banking institutions in its Treasury International Capital (TIC) Form BC/BC(A) that may appear somewhat similar to the data collected on the FFIEC 009 and the FFIEC 009a. In general, the TIC report is required for any banking institution with aggregate dollar claims on foreigners of \$50 million or more or dollar claims on foreigners in an individual foreign country of \$25 million or more. However, the TIC form does not contain most of the items included in the Country Exposure Report that are considered necessary for supervisory and regulatory purposes. For example, the TIC form includes only dollar claims while the Country Exposure Report calls for inclusion of all claims in a country denominated in a currency external to that country. In addition, the TIC form does not collect information on exposures with a remaining maturity of one year or less, the reallocation of claims for guarantees, commitments to advance additional funds, and local currency assets and liabilities. Finally, the TIC form does not include claims on foreigners made at overseas offices of U.S. banking institutions. These limitations preclude the use of the Treasury information for banking institution supervisory purposes.

5. Minimizing the Burden on Small Entities

Banking institutions with aggregate international exposures of under \$30 million do not have to report. Therefore, the FDIC has, in effect, eliminated virtually all small banks from this reporting requirement. Currently, only 13 institutions supervised by the FDIC are subject to the quarterly country exposure reporting requirements.

6. Consequence of Less Frequent Collection

Federal statute precludes less frequent collection and disclosure.

7. Special circumstances necessitating collection inconsistent with 5 CFR 1320.5(d)(2)

None. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to Consult with Persons Outside the Agency

The Country Exposure Report and Country Exposure Information Report are mandated by law; however, the FDIC and the other banking agencies communicate on a continuous basis with banking institutions required to complete the reports. The banking agencies also consult with trade associations and other government agencies on the reports.

On January 20, 2022, the agencies published an initial Paperwork Reduction Act (PRA) notice in the Federal Register (87 FR 3170) requesting comment on a proposal to revise, the Country Exposure Report (FFIEC 009) and the Country Exposure Information Report (FFIEC 009a).

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. The specific comments and the agencies' responses follow:

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 non-substantive 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 and have revised the headers accordingly. In connection with the proposed changes to the FFIEC 009 and FFIEC 009a, it was 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 seemed out of place and not parallel to the instructions for Column 17. In response to the comment, the agencies have combined 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 state that cash held as collateral should not be reported in these columns.

Third, with regard 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 have amended 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 are revising the form 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 nonlocal 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 and will modify the instructions accordingly.

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 009.² The agencies continue to confirm that only the CUSIP netting method described in the FFIEC 009 instructions is appropriate.

9. Payment or Gift to Respondents

There are no payments or gifts to respondents.

10. Any Assurance of Confidentiality

Individual banking institution information reported on the FFIEC 009 report is considered exempt from public disclosure under the FOIA (5 U.S.C. 552(b)(4) and (b)(8)). However, U.S. banking system aggregates are made available to the public by the banking agencies and through the FFIEC. The FFIEC 009a report is available to the public on an individual banking institution basis.

11. Justification for Questions of a Sensitive Nature

No information of a sensitive nature is required.

12. Estimate of Hour Burden Including Annualized Hourly Costs

Estimated Annual Burden Hours

Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Number of Responses	Estimated Time per Response (Hours)	Frequency of Response	Total Estimated Annual Burden (Hours)
<i>Country Exposure Report (FFIEC Form 009)</i>	Reporting	Mandatory	13	4	135	Quarterly	7,020
<i>Country Exposure Information Report (FFIEC Form 009a)</i>	Reporting	Mandatory	8	4	6.5	Quarterly	208
Total Estimated Annual Burden Hours							7,228

The annual reporting burden on FDIC-supervised respondents is estimated to be 7,228 hours on an ongoing basis. This estimate reflects the average ongoing reporting burden for all FDIC-supervised institutions that are required to file the FFIEC 009 and FFIEC 009s reports. This estimate is based on 13 respondents submitting the FFIEC 009 report quarterly, which requires an estimated average of 135 hours to prepare, and 8 respondents submitting the FFIEC 009a report quarterly, which requires an estimated average of 6.5 hours to prepare.

Annualized Hourly Costs

² See 84 FR 47340, 47342 (September 9, 2019).

To estimate the average cost of compensation per hour, FDIC uses the 75th percentile hourly wages reported by the Bureau of Labor Statistics (BLS) National Industry-Specific Occupational Employment and Wage Estimates (OEWS) for the relevant occupations in the Depository Credit Intermediation sector. However, the latest OEWS wage data are as of May 2021 and do not include non-wage compensation. FDIC adjusts the OEWS hourly wages by approximately 1.51 to account for non-wage compensation, using the BLS Employer Cost of Employee Compensation (ECEC) data as of March 2021 (the latest published release prior to the OEWS wage data). FDIC then multiplies the resulting compensation rates by approximately 1.05 to account for the change in the seasonally adjusted Employment Cost Index for the Credit Intermediation and Related Activities sector (NAICS Code 522) between March 2021 and March 2022. Given these adjusted compensation rates, FDIC estimates an hourly compensation rate of \$79.00 to respond to this information collection..

Table 1. Summary of Hourly Burden Cost Estimate (OMB No. 3064-0017)							
Information Collection (Obligation to Respond)	Percentage Shares of Hours Spent by and Hourly Compensation Rates for each Occupation Group (by Collection)						Estimated Hourly Compensation Rate
	Exec. And Mgr. (\$128.14)	Lawyer (\$158.72)	Compl. Ofc. (\$61.87)	IT (\$98.28)	Fin. Anlst. (\$96.85)	Clerical (\$36.22)	
FFIEC 009 (Mandatory)	1	0	45	0	50	4	\$79.00
<p>Source: Bureau of Labor Statistics: 'National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)' (May 2021), Employer Cost of Employee Compensation (March 2021), and Employment Cost Index (March 2021 and March 2022). Standard Occupational Classification (SOC) Codes: Exec. And Mgr = 11-0000 Management Occupations; Lawyer = 23-0000 Legal Occupations; Compl. Ofc. = 13-1040 Compliance Officers; IT = 15-0000 Computer and Mathematical Occupations; Fin. Anlst. = 13-2051 Financial and Investment Analysts; Clerical = 43-0000 Office and Administrative Support Occupations.</p> <p>Note: The estimated hourly compensation rate is the average of the hourly compensation rates for the occupations used to comply with that collection, weighted by the share of hours spent by each occupation.</p>							

Based on the estimated average wage of \$79, the total estimated labor cost for this information collection is approximately \$571,102.³

13. Estimate of Annualized Costs to Respondents

³ \$79 X 7,228 hours = \$571,102.

None.

14. Estimates of Annualized Costs to the Government

None.

15. Analysis of Change in Burden

The estimated annual burden, in hours, is the product of the estimated number of annual respondents, number of responses per respondent, and time per response, as summarized above. The total estimated annual burden for this ICR is 7,228 hours. This estimate represents a 920-hour decrease from the estimate in the previous ICR. This change in burden is due to the decrease in the estimated number of respondents for both forms and is attenuated by the increase in estimated time per response for both forms.

16. Information Regarding Collections Whose Results are Planned to be Published for Statistical Use

Certain aggregate data reported in the FFIEC 009 report are made available to the public by the FFIEC in a quarterly Statistical Release. This aggregate information is available to banks, government agencies, and the public. The quarterly FFIEC 009a report is available to the public on an individual banking institution basis. The Statistical Release and individual institutions' FFIEC 009a reports can be accessed at <https://www.ffiec.gov/E16.htm>.

17. Exceptions to Display of Expiration Date

None.

18. Exceptions to Certification Statement

None.

B. STATISTICAL METHODS

Not applicable.