

**Supporting Statement for the
Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks
(FFIEC 002; OMB No. 7100-0032)
and the
Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a
U.S. Branch or Agency of a Foreign (Non-U.S.) Bank
(FFIEC 002S; OMB No. 7100-0032)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032) and Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S; OMB No. 7100-0032). The Board submits this request on behalf of itself, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies). No separate submission will be made by the FDIC or OCC.

The FFIEC 002 must be submitted quarterly by U.S. branches and agencies of foreign banks. The report requests detailed schedules of assets and liabilities as a condition report with a variety of supporting schedules. This information is used to fulfill the agencies' supervisory and regulatory requirements pursuant to the International Banking Act of 1978 (IBA). The FFIEC 002S is a mandatory supplement to the FFIEC 002 that collects information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of a foreign bank.¹ A separate FFIEC 002S supplement is completed by the managing or controlling U.S. branch or agency for each applicable foreign branch. The FFIEC 002S collects data on U.S. deposits, credit, and international indebtedness, and assists U.S. bank supervisors in determining the assets managed or controlled by the U.S. agency or branch of the foreign bank.

The agencies, under the auspices of the FFIEC, propose to eliminate one item from the FFIEC 002 effective for the September 30, 2023, report date. The revision would be consistent with a proposed revision to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) resulting from the statutorily mandated full review of the Call Reports as required under Section 604 of the Financial Services Regulatory Relief Act of 2006 (Statutorily Mandated Review).² The agencies are not proposing any revisions to the FFIEC 002S.

The current estimated total annual burden for the FFIEC 002 and FFIEC 002S is 18,637 hours, and would decrease to 18,490 hours. The proposed revisions would result in a decrease of

¹ "Managed or controlled" means that a majority of the responsibility for business decisions, including, but not limited to, decisions with regard to lending, asset management, funding, liability management, or the responsibility for recordkeeping with respect to assets or liabilities for that foreign branch resides at the U.S. branch or agency.

² 12 U.S.C. § 1817(a)(11).

147 hours. The form and instructions are available at the FFIEC's public website at https://www.ffiec.gov/ffiec_report_forms.htm.

Background and Justification

Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002)

The IBA specifies that foreign banks' branches and agencies in the United States are subject to the supervisory authority of the U.S. federal banking agencies and that responsibility for federal supervision is to be shared among the agencies. As one step in carrying out the supervisory and regulatory responsibilities imposed by the IBA, the agencies instituted the FFIEC 002 in June 1980. The report collects from the U.S. branches and agencies of foreign banks information that is similar to that collected from U.S. commercial banks and savings associations by the Call Reports, although the FFIEC 002 collects fewer data items.

In addition to its supervisory and regulatory uses, the Board uses the information collected by the FFIEC 002 to conduct monetary and financial analysis essential for the conduct of monetary policy. The data are used to analyze credit developments, identify sources and uses of funds in the banking sector, and assess financial developments within the U.S. banking system. The data help to interpret the bank credit and deposit information that the Board uses when making monetary policy decisions and assists the Board in gauging the response to those decisions.

Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S)

Foreign banks often conduct business at branches that are domiciled in countries other than the United States, but which are largely run out of the banks' U.S. agency or branch office, with a separate set of books but often with overlapping management responsibilities. Such branches often engage in transactions with U.S. residents.

The information reported on the FFIEC 002S is collected for several reasons: (1) to collect information helpful for the supervision of U.S. offices of foreign banks, which often are managed jointly with these branches, (2) to monitor deposit and credit transactions of U.S. residents, (3) to monitor the impact of policy changes such as changes in reserve requirements, (4) to analyze structural issues concerning foreign bank activities in U.S. markets, and (5) to understand indebtedness and flows of banking funds in developing countries, in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis.

The FFIEC 002S collects details on transactions with U.S. residents and with residents of the banks' home countries. In most cases, these data cover a large proportion of the subject branches' total activities since most of these branches have heavy exposures to their home countries and deal largely with U.S. customers. This collection allows for more complete data on U.S. deposits, credit, and international indebtedness and assists U.S. bank supervisors in

determining the assets managed or controlled by the U.S. agency or branch of the foreign bank.

Description of Information Collection

The reporting panel for the FFIEC 002 includes all U.S. branches and agencies (including their International Banking Facilities (IBFs))³ of foreign banks, whether federally licensed or state chartered, insured or uninsured. The FFIEC 002 consists of a summary schedule of assets and liabilities (Schedule RAL) and several supporting schedules. Each schedule requires information on balances of the entire reporting branch or agency. On the schedules for cash (Schedule A), loans (Schedule C), and deposits (Schedule E), separate details are reported on balances of IBFs. Unlike the Call Reports for domestic banks and savings associations, the FFIEC 002 collects no income data.

A separate FFIEC 002S must be completed by any U.S. branch or agency of a foreign bank that manages or controls a banking branch of its parent bank in a foreign country. The FFIEC 002S covers all of the foreign branch's assets and liabilities, regardless of the currency in which they are payable. The supplement also covers transactions with all entities, both related and nonrelated, regardless of location. All due from/due to relationships with related institutions, both depository and nondepository, are reported on a gross basis, that is, without netting due from and due to data items against each other.

Respondent Panel

The FFIEC 002 panel comprises all U.S. branches and agencies (including their IBFs) of foreign banks, whether federally licensed or state chartered, insured or uninsured. The FFIEC 002S panel comprises any U.S. branch or agency of a foreign (non-U.S.) bank that manages or controls a banking branch of its parent bank that is licensed outside the 50 states of the United States or the District of Columbia.

Frequency and Time Schedule

The FFIEC 002 and FFIEC 002S are collected quarterly as of the last calendar day of March, June, September, and December. U.S. branches and agencies of foreign banks must submit the FFIEC 002 and FFIEC 002S to the Federal Reserve Bank in whose district the reporting branch or agency is located within 30 calendar days following the report date. After processing and editing respondent data, the Board sends the data to the FDIC and OCC for their use in monitoring the U.S. activities of foreign banks under their supervision.

³ An IBF is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of Federal Reserve Regulation D and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to Federal Reserve Regulations D and Q. An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity.

Initially Proposed Revision to the FFIEC 002

To enhance the functioning of money markets in response to the outbreak of the coronavirus disease 2019 and to bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP),⁴ the Board, with the approval of the Secretary of the Treasury, established in 2020 the Money Market Mutual Fund Liquidity Facility (MMLF).⁵ Under the MMLF, the Federal Reserve Bank of Boston extended loans to eligible borrowers to purchase assets from money market mutual funds, which were posted as collateral to the facility. In March 2020, the agencies published an interim final rule (subsequently finalized in October 2020), which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF.⁶ On June 26, 2020, the FDIC adopted a final rule modifying the deposit insurance assessment regulations to mitigate the assessment effects of participation in the MMLF and PPP, as reported on the Call Reports.⁷ Starting with the June 30, 2020, report date, banking organizations reported amounts related to the MMLF on Schedule O of the FFIEC 002. When adding this item, the agencies noted that the item was expected to be time-limited and would be reviewed in connection with the Statutorily Mandated Review.

The MMLF ceased extending credit on March 31, 2021, and as of April 30, 2021, the outstanding amount of loans under the facility was zero dollars.⁸ The agencies are therefore proposing to remove Schedule O, Other Data for Deposit Insurance Assessments, Memorandum item 7, "Quarterly average amount of holdings of assets purchased from money market funds under the Money Market Mutual Fund Liquidity Facility". This revision would be consistent with a revision to the Call Reports that the agencies have proposed in connection with the Statutorily Mandated Review.

Public Availability of Data

Aggregate data for all U.S. branches and agencies that file the FFIEC 002 are available on the Board's public website under the Data tab as *Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks* and are also used in developing flow of funds estimates and the estimates published in the Federal Reserve weekly H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*. Aggregate data for the FFIEC 002S are available to the public upon request.

Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request. In addition, individual respondent data are also available on the FFIEC public website at <https://www.ffiec.gov/NPW>.

⁴ See <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program>.

⁵ This facility was established pursuant to section 13(3) of the Federal Reserve Act (12 U.S.C. § 343(3)). See <https://www.federalreserve.gov/monetarypolicy/mmlf.htm>.

⁶ 85 FR 16232 (March 23, 2020) and 85 FR 68243 (October 28, 2020).

⁷ 85 FR 38282 (June 26, 2020).

⁸ See <https://www.federalreserve.gov/monetarypolicy/mmlf.htm>.

Legal Status

Section 11(a)(2) of the Federal Reserve Act (FRA) authorizes the Board to require depository institutions to submit reports of their liabilities and assets as the Board may determine to be necessary or desirable to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates (12 U.S.C. § 248(a)(2)). Section 7(c)(2) of the IBA, provides that Federal branches and agencies of foreign banks are subject to the reporting requirements in section 11(a) of the FRA “to the same extent and in the same manner as if the branch or agency were a state member bank” (12 U.S.C. § 3105(c)(2)). Section 7(c)(2) of the IBA also provides that state-licensed branches and agencies of foreign banks are subject to the requirement in section 9 of the FRA (12 U.S.C. § 324) that they file reports of condition with the appropriate Federal Reserve Bank. In addition, section 4(b) of the IBA authorizes the OCC to collect such information from Federal branches and agencies of foreign banks (12 U.S.C. § 3102(b)). The Board, FDIC, and OCC also are authorized to collect reports of condition from insured branches of foreign banks pursuant to section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. §§ 1817(a)(1) and (3)). The obligation for reporting institutions to respond is mandatory.

In general, the information collected in the FFIEC 002 report is made available to the public, except that the data collected from a U.S. branch or agency of a foreign bank in Schedule M of the FFIEC 002 report is withheld pursuant to exemption 4 of the Freedom of Information Act (FOIA), which applies to commercial or financial information that is both customarily and actually treated as private (5 U.S.C. § 552(b)(4)).⁹ If a respondent believes that any of the public portions of its FFIEC 002 report would be exempt from disclosure under exemption 4 of the FOIA, the respondent may request confidential treatment for such information.

The FFIEC 002S report is treated as confidential in its entirety pursuant to exemption 4 of the FOIA because it may contain intracompany business information and because home country data collected on the FFIEC 002S could reveal information about individual customers. Aggregate data from the FFIEC 002S report for multiple respondents, which does not reveal the identity of any individual respondent, may be released.

Consultation Outside the Agency

The Board coordinated and consulted with the FDIC and OCC in developing this revision as part of the FFIEC approval process.

Public Comments and Current Proposal

On February 21, 2023, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (88 FR 10644) requesting public comment for 60 days on the extension, with revision, of the FFIEC 002 and FFIEC 002S, as well as the Call Reports. The comment period for this notice expired on April 24, 2023. The agencies received three comment

⁹ Although Schedule M of the FFIEC 002 report is withheld from the public, the Instructions to the FFIEC 002 report indicate that these reports are made available to the relevant state supervisory authority in their entirety.

letters on the February notice; however, the comment letters received did not pertain to the proposed revision to the FFIEC 002. Therefore, the agencies are proceeding with the removal of the item described in the February notice. While the agencies had originally proposed removing Schedule O, Other Data for Deposit Insurance Assessments, Memorandum item 7, as of June 30, 2023, the agencies instead now propose to remove this item effective as of the September 30, 2023, report date, due to the time needed to update systems for the Call Report and FFIEC 002.

On June 13, 2023, the agencies, under the auspices of the FFIEC, published a final notice in the *Federal Register* (88 FR 38592) requesting public comment for 30 days on the extension, with revision, of the FFIEC 002 and FFIEC 002S. The comment period for this notice expires on July 13, 2023.

Estimate of Respondent Burden

As shown in the table below, the estimated annual burden for the FFIEC 002 and FFIEC 002S is 18,637 hours, and would decrease to 18,490 hours with the proposed revision. This burden estimate accounts for all filers of the FFIEC 002 and FFIEC 002S, including those supervised by the FDIC or OCC. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FFIEC 002 and FFIEC 002S	<i>Estimated number of respondents¹⁰</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 002	183	4	24.87	18,205
FFIEC 002S	18	4	6	<u>432</u>
<i>Current Total</i>				18,637
Proposed				
FFIEC 002	183	4	24.67	18,058
FFIEC 002S	18	4	6	<u>432</u>
<i>Proposed Total</i>				18,490
<i>Change</i>				(147)

The estimated total annual cost to the public for the FFIEC 002 and FFIEC 002S is \$1,234,701, and would decrease to \$1,224,963 with the proposed revision.¹¹

¹⁰ Of these respondents, 58 for the FFIEC 002 and 3 for the FFIEC 002S are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets), <https://www.sba.gov/document/support-table-size-standards>.

¹¹ 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 \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2022*, published April 25, 2023, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Sensitive Questions

This collection of information contains 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 FFIEC 002 and FFIEC 002S is \$296,300 per year. The Federal Reserve System collects and processes the data for all three of the agencies.