

**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 extended for three years, with revision, the Reports of Foreign Banking Organizations (FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125). The FR Y-7N and FR Y-7NS collect financial information for certain¹ 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. For purposes of these reports, an FBO is a foreign bank that operates a branch, agency, or commercial lending company subsidiary in the United States; controls a bank in the United States; or controls an Edge corporation acquired after March 5, 1987.² 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.

The Board revised the FR Y-7Q report to (1) add a line item on Part 1A, Capital and Asset Information for the Top-tier Foreign Banking Organization, to collect the total combined U.S. assets net of intercompany balances and transactions, based on a quarterly average, (2) require the three items that capture U.S. assets (total combined U.S. assets net of intercompany balances and transactions (Part 1A, items 6(a) and 6(b)) and total U.S. non-branch assets (Part 1A, item 7)) be filed by all respondents on a calendar quarter-end or year-end basis, (3) as of December 31, 2023, change the due date from 90 days to 70 days after the report date for all FR Y-7Q filers that also file the Systemic Risk Report (FR Y-15; OMB No. 7100-0352) and as of December 31, 2024, change the due date from 90 days to 70 days after the report date for the remaining FR Y-7Q filers who are not eligible to file the FR Y-15, and (4) make other minor clarifications and conforming edits to the form and instructions. The revisions are effective for December 31, 2023, for FR Y-7Q respondents that are also required to file the FR Y-15 report. For all other FR Y-7Q respondents, the revisions are effective December 31, 2024. The FR Y-7N and FR Y-7NS were not revised.

The current estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-7Q is 2,100 hours, and would increase to 2,610 hours. The revisions would result in an increase of 510 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms>.

Background and Justification

The International Banking Act of 1978 (IBA) establishes a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 8(a) of the IBA states that

¹ Filing thresholds for each respective report are defined within the "Description of Information Collection" section of this document.

² 12 CFR 211.21(o).

foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the Bank Holding Company Act of 1956 (BHC Act). The Federal Reserve uses the data collected on the FR Y-7N, FR Y-7NS, and FR Y-7Q to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with applicable U.S. laws and regulations. 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, and loans; and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries that do not have a primary U.S. regulator other than the Federal Reserve System. 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 must commence quarterly reporting for a subsidiary at the end of the quarter in which the subsidiary meets the significance threshold, and must continue to file quarterly for the remainder of a calendar year even if the subsidiary no longer satisfies the size requirement for quarterly filing of the FR Y-7N.³ 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.

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 have a primary U.S. regulator other than the Federal Reserve System (and does not meet the filing criteria for filing the FR Y-7N) with total assets greater than or equal to \$250 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 has made an effective election to be treated as an 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 made an effective election to be treated as 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

³ Certain filing thresholds related to the FR Y-7N and FR Y-7NS were modified for reporting periods through December 31, 2021. See 85 FR 77345 (December 2, 2020).

FR Y-7Q is filed annually if the FBO or any FBO in its tiered structure has not effectively elected to be an FHC and the FBO has total consolidated assets of less than \$50 billion.

Respondent Panel

The FR Y-7N, FR Y-7NS, and FR Y-7Q panels comprise top-tier FBOs that are required to submit the FR Y-7N and FR Y-7NS reports for their nonbank subsidiaries based on the filing criteria discussed above, as well as top-tier FBOs that file the FR Y-7Q report based on the filing criteria discussed above.

Frequency and Time Schedule

FBOs are required to file the FR Y-7N (quarterly or annual) and FR Y-7NS reports 60 calendar days after the report date. All FBOs are currently required to file the FR Y-7Q within 90 calendar days after the report date, which would be revised to be 30 days after the report date for quarterly filers and 45 days after the report date for annual filers.

Proposed Revisions to the FR Y-7Q

The Board proposed to add an additional line item (item 6(b)) on Part 1A, Capital and Asset Information for the Top-tier Foreign Banking Organization, to collect the total combined U.S. assets net of intercompany balances and transactions on a quarterly average basis. This line item would be used for analytical purposes to track the growth of FBOs in the U.S. and to make reporting more consistent with the reporting of total combined assets of U.S. operations, net of intercompany balances and transactions in the FR Y-15, which is filed by some FBOs.

The Board also proposed revisions to the FR Y-7Q report to remove the option of filing on a fiscal year basis and to instead require the respondent to file on a calendar period basis. As of December 31, 2020, only approximately five percent of respondents submitted the FR Y-7Q on a fiscal year basis. The elimination of the fiscal filing basis would be consistent with other Federal Reserve regulatory reports. The change also would enhance the Board's ability to monitor FBOs that may be approaching the asset threshold to file the FR Y-15, as well as to provide data on the same filing frequency basis as with the U.S. legal entity regulatory report forms (i.e., Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) and Consolidated Reports of Condition of Income (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036)). In addition, the change would enable calculations for Regulation TT - Supervision and Regulation Assessments of Fees (12 CFR Part 246) assessments to be made at the same speed and efficiency as for domestic-only holding companies, which file the FR Y-9C.

Additionally, the Board proposed revisions to the filing deadline from 90 days after quarter-end to 30 days after quarter-end for quarterly filers and from 90 days after quarter-end to 45 days for annual filers. Shortening the reporting deadline would allow for more timely analysis needed for effective FBO supervision. The efficiency gain would also allow for a more expedient process for Supervision staff to have a full picture of the FBO's financial structure from parent company global and U.S. assets, consistent with the FBO's legal entities. The instructions were

modified, effective December 31, 2021, to note that respondents would have the option to submit the FR Y-7Q report electronically via Reporting Central. Electronic filing provides respondents with a more efficient option to submit the FR Y-7Q report, reducing the burden associated with the revised filing deadlines.

Finally, the Board proposed to remove line item 8, as of financial date, in Part 1A and line item 6, as of financial date, in Part 2, as the elimination of the fiscal year basis reporting makes these items unnecessary. The Board also proposed to made other minor clarifications and conforming edits to the form and instructions.

Public Availability of Data

The Board does not publicly release information collected through the FR Y-7N, FR Y-7NS, and FR Y-Q reports.

Legal Status

The FR Y-7N, FR Y-7NS, and FR Y-7Q are authorized by the BHC Act (12 U.S.C. § 1844(c))⁴ and the IBA (12 U.S.C. §§ 3105(c), 3106(c), and 3108).⁵ The FR Y-7N, FR Y-7NS, and FR Y-7Q are additionally authorized by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 5365).⁶ The FR Y-7N, FR Y-7NS, and FR Y-7Q are mandatory.

The information contained on the FR Y-7N, FR Y-7NS, and FR Y-7Q is generally not considered confidential unless an applicant requests confidential treatment in accordance with the Board's Rules Regarding Availability of Information.⁷ Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided on the FR Y-7N, FR Y-7NS, and FR Y-7Q may be exempt from disclosure pursuant to exemption 4 of the Freedom of Information Act (FOIA) if it is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent (5 U.S.C. § 552(b)(4)). Submissions of the FR Y-7N, FR Y-7NS, and FR Y-7Q may also contain personnel, medical, and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, which are protected under exemption 6 of the FOIA (5 U.S.C. § 552(b)(6)) or information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, which are protected under exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)).

⁴ Authorizing the Board to require bank holding companies and subsidiaries to submit reports on their financial condition and compliance with federal law.

⁵ Authorizing the Board to extend the reporting requirements of the BHC Act to branches, agencies, and affiliates of FBOs, including nonbanks.

⁶ Directing the Board to establish enhanced prudential standards for certain companies, including certain FBOs.

⁷ 12 CFR 261.17.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On May 27, 2022, the Board published an initial notice in the *Federal Register* (87 FR 32164) requesting public comment for 60 days on the extension, with revision, of the FR Y-7N, FR Y-7NS, and FR Y-7Q. The comment period for this notice expired on July 26, 2022. The Board received a joint comment from two trade associations and a comment from an individual banking organization, and the Board received additional feedback through industry outreach. The commenters did not support the proposed revisions.

Commenters expressed concern that the proposed line item for top-tier FBOs to report total combined U.S. assets net of intercompany balances and transactions on a quarterly average using daily data would impose significant operational costs on FBOs that do not currently perform the calculation. Specifically, commenters recommended instead to require the line item only for FBOs that file the FR Y-15 and are in Categories II and III (and potentially Category IV) of the enhanced prudential standards applicable to FBOs under Regulation YY – Enhanced Prudential Standards (12 CFR Part 252). Commenters also recommended a longer implementation period and allowing averaging for the line item to use monthly data when calculating the averages.

In response to the comments received, the Board has decided to implement the new line item 6(b) as an average combined U.S. operations asset calculation using monthly data. The calculation would consist of providing the average of the three month-end balances within the quarter. Annual filers would provide the average of the three month-end balances of the fourth quarter of that filing year. Respondents that currently file the FR Y-15 would have this line item automatically retrieved to the FR Y-7Q from the FR Y-15. The Board believes the modified requirement accommodates required updates to FBO reporting systems.

Commenters also recommended retaining the option for FBOs to file the FR Y-7Q on a fiscal year basis. Commenters stated that FBOs that follow a non-calendar fiscal year base their home country reporting requirements, internal and external financial reporting, and management information systems around the 90-day filing deadline for the FR Y-7Q. In response to the comments received, the Board will move forward with a modified approach so that *only* the following three items that capture U.S. assets would be required to be filed on a calendar period basis: line item 6(a), Total combined U.S. assets net of intercompany balances and transactions, line item 6(b), Total combined U.S. assets net of intercompany balances and transactions, based on a quarterly average. and line item 7, Total non-branch Assets. The remaining line items on the FR Y-7Q will continue to be collected with fiscal filing as an option. The Board has also decided to retain line item 8, as of financial date, in Part 1A and line item 6, as of financial date, in Part 2, in order to continue the use of the fiscal filing option, which will only apply to non-U.S. asset line items. FR Y-7Q respondents that are required to file the FR Y-15 would have already submitted total combined U.S. assets net of intercompany balances and transactions, given that the FR Y-15 is due 50 calendar days after March 31, June 30, and September 30, and 65 days

after December 31. Individual respondents that believe the information they are required to submit under the FR Y-7Q is nonpublic commercial or financial information, which is both customarily and treated as private by the respondent, may request confidential treatment of such information under exemption 4 of the FOIA.

Finally, commenters expressed concern about shortening the filing deadline for the FR Y-7Q because firms may need more than 30 days to provide capital adequacy information to their home country supervisor before they report it on the FR Y-7Q. Commenters stated that modifying home country reporting frameworks to file the information on an accelerated timetable based on the FR Y-7Q would require significant resources. In response to the comments received, the Board has modified the proposal to stagger implementation filing deadlines. The modified proposal will be implemented in two phases. Under phase one, effective as of December 31, 2023, all FR Y-7Q filers that file the FR Y-15 report no later than 70 days after the report date. The remaining filers would have 90 days to file the FR Y-7Q after calendar end. Under phase two, effective as of December 31, 2024, all remaining FR Y-7Q filers report no later than 70 days after the report date. Moving this implementation date to December 31, 2024, from the original proposed December 31, 2022, allows additional time for respondents to implement the necessary system enhancements. Further, fiscal filers with a report date after the calendar quarter-end periods (e.g. January 31, April 30, July 31, and October 31) inherently have additional time to submit the FR Y-7Q.

Aside from the changes discussed above, the Board adopted the extension, with revision, of the FR Y-7N, FR Y-7NS, and FR Y-7Q as originally proposed. On December 11, 2023, the Board published a final notice in the *Federal Register* (88 FR 85886).

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-7Q is 2,100 hours, and would increase to 2,610 hours with the revisions. The estimated number of respondents is based on the actual respondent counts as of December 31, 2020. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR Y-7N, FR Y-7NS, and FR Y-7Q	<i>Estimated number of respondents⁸</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR Y-7N (quarterly)	28	4	7.6	851
FR Y-7N (annual)	14	1	7.6	106
FR Y-7NS	18	1	1	18
FR Y-7Q (quarterly)	120	4	2.25	1,080
FR Y-7Q (annual)	30	1	1.5	<u>45</u>
<i>Current Total</i>				2,100
Proposed				
FR Y-7N (quarterly)	28	4	7.6	851
FR Y-7N (annual)	14	1	7.6	106
FR Y-7NS	18	1	1	18
FR Y-7Q (quarterly)	120	4	3.25	1,560
FR Y-7Q (annual)	30	1	2.5	<u>75</u>
<i>Proposed Total</i>				2,610
<i>Change</i>				510

The estimated total annual cost to the public for the FR Y-7N, FR Y-7NS, and FR Y-7Q is \$139,125, and would increase to \$172,913 with the revisions.⁹

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

⁸ Of these respondents, 1 FR Y-7N (quarterly) filer; 12 FR Y-7N (annual) filers; and 13 FR Y-7NS filers are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support-table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

⁹ Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (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/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these reports is \$161,500 per year.