

**Supporting Statement for the
Country Exposure Report for U.S. Branches and Agencies of Foreign Banks
(FFIEC 019; OMB No. 7100-0213)**

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, without revision, the Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019; OMB No. 7100-0213). The Board submits this request on behalf of the Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (the agencies). No separate submission will be made by the FDIC or OCC. The report is required and must be submitted quarterly by all individual U.S. branches and agencies of foreign banks that have total direct claims on foreign residents in excess of \$30 million. Each reporting branch or agency provides information for supervisory purposes on its direct and indirect claims, total adjusted claims on foreign residents, and information on commitments.

The estimated total annual burden for the FFIEC 019 is 5,560 hours. The form and instructions are available on the FFIEC's public website at https://www.ffiec.gov/ffiec_report_forms.htm.

Background and Justification

The FFIEC 019 is an important and unique tool for surveillance and oversight that collects the minimal amount of information needed for supervisory purposes under the International Banking Act of 1978 (IBA). The FFIEC implemented the FFIEC 019 report in June 1986 in response to supervisory concerns relating to funding practices of certain U.S. branches and agencies of foreign banks that were raising funds in the United States and other nations' interbank markets, and then lending the bulk of the funds to home-country residents. Major funding problems emerged for these U.S. offices when the governments of the parent banks' home countries encountered severe difficulties in servicing their external debt. In 1985 the Board, FDIC, and OCC proposed collection of country exposure information from U.S. branches and agencies in order to supervise their operations more effectively.¹

Quarterly information on significant country risk exposures is very important in measuring and supervising liquidity positions of the branches and agencies of foreign banks, which fund themselves primarily in the U.S. domestic money markets by taking large uninsured deposits from banks, corporations, and individuals. Those branches that are insured by the FDIC also raise funds from retail customers. The financial regulatory agencies need to be able to assess the institutions' ability to repay these deposits.

One important indicator of potential underlying problems is an excessive concentration

¹ In addition, the agencies' collection of this information is consistent with the Basel Concordat. See Basel Committee on Banking Supervision, Core Principles for effective banking supervision, <https://www.bis.org/bcbs/publ/d573.htm> (April 2024).

by the U.S. branch or agency in assets due from parties in a single country or a small number of countries. The regulatory agencies need access to information regarding the level of country concentrations within a specific branch or agency, to ensure that these institutions, like domestic banking institutions, are practicing reasonable country risk diversification. The FFIEC 019 assists the agencies in monitoring the extent to which the U.S. branches and agencies are pursuing prudent diversification policies and limiting potential liquidity pressures.

In addition, FDIC-insured branches of foreign banks are subject to an asset maintenance requirement (12 CFR 347.210). Under this requirement, in general, an insured branch must maintain on a daily basis eligible assets in an amount not less than 106 percent of the preceding quarter's average book value of the branch's liabilities, exclusive of liabilities due to related offices of the foreign bank. The FDIC may require that a higher ratio of eligible assets be maintained if the financial condition of the insured branch warrants such action. Among the factors that the FDIC considers in requiring a higher ratio is the concentration of transfer risk to any one country, including the country in which the foreign branch's head office is located. The data from the FFIEC 019 report assist the FDIC in evaluating the existence of such concentrations and determining whether to require that an insured branch maintain a higher ratio of eligible assets than the 106 percent minimum.

In order to limit reporting burden, the FFIEC 019 has been designed to collect the minimum amount of information needed to assess country exposure. The report currently requires each of the U.S. branches and agencies with claims on foreign parties exceeding \$30 million to report (1) its exposure to borrowers in its home country and (2) each country exposure exceeding \$20 million. These requirements are considerably less burdensome than the information required of domestic banking institutions on the Country Exposure Report (FFIEC 009; OMB No. 7100-0035), which requires information on all country exposures and requires considerably greater maturity detail. Because smaller institutions are often more likely to encounter funding problems than larger ones, the agencies do not believe that it is appropriate to increase the minimum exposure level that must be reported.

Description of Information Collection

The FFIEC 019 report must be filed by each U.S. branch or agency of a foreign bank that has total direct claims (including those of its International Banking Facility (IBF))² on foreign residents in excess of \$30 million. Currently, the branch or agency reports its gross claims on (1) to residents of its home country (including related non-U.S. offices of the reporting institution) and (2) residents of foreign countries for which the branch or agency's adjusted exposure for the country at least \$20 million. The home country exposure must be reported regardless of the size of the total claims for that nation.

² An IBF is a set of asset and liability accounts, which are segregated on the books and records of the establishing entity and which reflect international transactions. An IBF is established in accordance with the terms of the Federal Reserve's 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 the Federal Reserve's 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.

Each reporting branch or agency must report, by country as appropriate information on its (1) direct claims (claims in which the immediate obligor is a resident of the relevant country), (2) indirect claims (claims arising because a resident of the relevant country is the ultimate obligor, through guarantees or other means, of the relevant claim if the immediate obligor is unable to satisfy the claim) and (3) adjusted claims (total claims once direct claims are reduced by claims that are guaranteed by parties in another country and increased by direct claims on parties in other countries that parties in the country have guaranteed). In addition, respondents must provide information on their outstanding and unused letters of credit that have been issued for account parties that are residents of the relevant countries. Respondents must also report claims on related non-U.S. offices that are included in total adjusted claims. Finally, respondents must provide a breakdown of claims on unrelated foreign residents by the type of borrower or guarantor (foreign public, unrelated foreign banks, or unrelated foreign residents), and by maturity (in two categories: one year or less, and over one year).

Respondent Panel

The FFIEC 019 panel comprises all branches and agencies of foreign banks domiciled in the United States with total direct claims (including those of its IBF) on foreign residents in excess of \$30 million on the quarterly report date.

Frequency and Time Schedule

The FFIEC 019 is filed quarterly as of the last business day of March, June, September, and December. Each reporting branch or agency must file its report with the appropriate Reserve Bank within 45 days of the report date.

Public Availability of Data

The agencies do not routinely publicly release information collected through the FFIEC 019.

Legal Status

The agencies are authorized to collect the FFIEC 019 under the IBA, Federal Deposit Insurance Act, National Bank Act, and Federal Reserve Act. Section 7 of the IBA (12 U.S.C. § 3105(c)(2)) provides that branches and agencies of foreign banks other than federal branches and agencies are subject to the same reporting requirements as apply to state member banks under section 9(6) of the Federal Reserve Act (12 U.S.C. § 324), which requires a state member bank to make reports of condition to the Federal Reserve Bank of which it becomes a member.

In addition, section 7 of the IBA states that federal branches and agencies are subject to section 4 of the IBA (12 U.S.C. § 3102(b)), which provides that federal branches and agencies are subject to all the same duties as would apply to a national bank under the National Bank Act.³ Section 34 the National Bank Act requires national banks (and thus, by virtue of section 4

³ Section 4 of the IBA also provides that in establishing and operating a federal branch or agency, a foreign bank shall be subject to such rules, regulations, and orders as the Comptroller considers appropriate.

of the IBA, federal branches and agencies) to make reports of condition to the OCC in accordance with the Federal Deposit Insurance Act (12 U.S.C. § 161(a)). Section 34 of the National Bank Act also allows the OCC to call for additional reports of condition containing such information as the Comptroller prescribes.⁴

Finally, section 7 of the IBA provides that federal branches and agencies are subject in the same manner as member banks to section 11(a) of the Federal Reserve Act (12 U.S.C. § 248), which authorizes the Board to require member banks to provide it with reports of the accounts, books, and affairs and liabilities and assets, as the Board deems necessary.

Section 13 of the IBA authorizes the Board, FDIC, and OCC to issue such rules, regulations, and orders as each of them deems necessary to perform their respective duties and functions under Chapter 32 of Title 12, which governs foreign bank participation in domestic markets (12 U.S.C. § 3108(a)). The agencies' duties and functions under Chapter 32 consist of overseeing the activities of foreign branches and agencies in the United States, including (but not limited to) determining whether it is necessary to terminate those activities (e.g., due to unsafe or unsound banking practices or financial stability risk posed to the United States posed by the branch or agency that has not been mitigated by home country financial regulation).⁵ This authority thus allows the agencies to impose reporting requirements as necessary to perform their duties and functions of overseeing the activities of foreign branches and agencies.

Section 13 of the IBA further provides that the Board has authority over the administration, interpretation, and enforcement of provisions of the Federal Reserve Act that apply to foreign banks or branches thereof under Chapter 32 and which are made applicable to nonmember insured banks by the Federal Deposit Insurance Act (12 U.S.C. § 3108(c)). However, the FDIC has authority to require a duplicate copy of any report that the Board requires under this authority.

Section 7 of the Federal Deposit Insurance Act provides that state nonmember banks and foreign banks with insured branches that are not federal branches are required to make reports of condition to the FDIC, as the FDIC may require (12 U.S.C. § 1817(a)(1)). The obligation to respond to the FFIEC 019 is mandatory.

The information submitted in the FFIEC 019 may be exempt from public disclosure pursuant to the Freedom of Information Act (FOIA), under exemptions 4 and/or 8 (12 U.S.C. §§ 552(b)(4), (b)(8)). Exemption 4 applies to confidential commercial or financial information that is both customarily and actually treated as private by its owner (12 U.S.C. § 552(b)(4)).⁶ If a respondent believes that any of the public portions of its FFIEC 019 report would be exempt from disclosure under exemption 4 of the FOIA, the respondent may request confidential treatment for such information. Exemption 8 exempts from disclosure information "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use

⁴ See 12 U.S.C. § 161(a). Section 34 refers only to national banks (i.e., associations). However, under section 4 of the IBA, federal branches and agencies are generally subject to all the same duties that apply to national banks, which includes reporting requirements. See 12 U.S.C. § 3102(b).

⁵ 12 U.S.C. §§ 3105(c) (examination and reporting authority); 3105(e) (termination authority).

⁶ See *Food Marketing Institute v. Argus Leader Media*, 588 U.S. 427, 440 (2019).

of an agency responsible for the regulation or supervision of financial institutions” (12 U.S.C. § 552(b)(8)). As documents related to the branches and agencies’ condition prepared for the use of the agencies, which are responsible for the regulation and supervision of financial institutions, FFIEC 019 reports may also be exempt from disclosure under exemption 8.

Consultation Outside the Agency

The Board coordinated and consulted with the FDIC and OCC with respect to this proposal to extend the FFIEC 019.

Public Comments

On March 4, 2024, the Board published an initial notice in the *Federal Register* (89 FR 15575) requesting public comment for 60 days on the extension, without revision, of the FFIEC 019. The comment period for this notice expired on May 3, 2024. The Board did not receive any comments. On July 30, 2024, the Board published a final notice in the *Federal Register* (89 FR 61119) requesting public comment for 30 days on the extension, without revision, of the FFIEC 019. The comment period for this notice expires on August 29, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FFIEC 019 is 5,560 hours. The estimated total number of respondents is based on the number of respondents that submitted a FFIEC 019 report as of March 31, 2024. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FFIEC 019	<i>Estimated number of respondents⁷</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	139	4	10	5,560

The estimated total annual cost to the public for the FFIEC 019 is \$388,366.⁸

Sensitive Questions

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

⁷ Of these respondents, 24 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.

⁸ 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 \$23, 45% Financial Managers at \$84, 15% Lawyers at \$85, and 10% Chief Executives at \$124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2023*, published April 3, 2024, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FFIEC 019 is \$13,100. The Federal Reserve System collects and processes the data for all three of the federal bank regulatory agencies.