

**Supporting Statement for the
Senior Financial Officer Survey
(FR 2023; OMB No. 7100-0223)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223). The Federal Reserve uses this voluntary survey to collect qualitative and limited quantitative information about liability management, the provision of financial services, and the functioning of key financial markets from a selection of up to 60 large commercial banks (or, if appropriate, from other depository institutions or major financial market participants). Consistent with the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058), a senior loan officer at each respondent bank completes this voluntary survey usually through an electronic submission. Although the survey may not be collected in a given year, authority is requested to conduct it up to four times per year when major informational needs arise and cannot be met from existing data sources.

The Federal Reserve proposes to increase the panel of respondents from 60 to 80 commercial banks, in order to maintain consistency with a proposed change to the respondent panel of the FR 2018, and to broaden coverage of banks that lend in the small business and commercial real estate markets. The proposed revisions to the FR 2023 would change the estimated annual reporting burden from 720 hours to 960 hours, an increase of 240 hours. The survey does not have a fixed set of questions; each survey consists of a limited number of questions directed at topics of timely interest. Accordingly, a sample form is not included with this proposal.

Background and Justification

The Federal Reserve uses the Senior Financial Officer Survey to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management practices. The survey helps pinpoint developing trends in bank funding practices, enabling the Federal Reserve to distinguish these trends from transitory phenomena. It also complements other deposit reports that, by themselves, provide limited insight into the causes of the changing behavior of deposit holders and depository institutions. Moreover, the survey has given the Federal Reserve the opportunity to follow periodic developments in financial markets related to extraordinary events that are beyond the scope of other reports.

In February 1994, a survey requested information about the availability and profitability of providing brokerage services to retail customers and the provision of non-brokerage services to mutual funds. This survey found evidence that large banks were continuing to expand their retail brokerage programs and helped quantify the importance of these activities for bank profitability. Another survey conducted in December 1994 focused on bank funding practices. Results from this survey helped identify factors that explained banks' increased reliance on managed liabilities to fund domestic credit. In May 1996, a survey was designed and conducted to investigate bank reserve management practices in order to increase understanding of how banks might operate with low required reserve balances. Information from this survey assisted

in the smooth implementation of monetary policy as sweep accounts drove down the level of required operating balances.

A survey conducted in May 1998 was designed to gauge the effect on banks' reserve management of the imposition of a charge on banks that overdraw their accounts at the Federal Reserve during the course of the day (the so-called daylight overdraft fee) and the expansion of the operating hours of the Fedwire system. The survey documented the tendency of banks to concentrate delivery of federal funds later in the day, potentially in response to changes in the Federal Reserve's intraday credit policy. This survey also confirmed previous anecdotal evidence that banks used the extension of Fedwire operating hours to transfer funds linked not only to international transactions, which was expected, but also to domestic transactions.

As illustrated by these examples, the Senior Financial Officer Survey has assisted the Federal Reserve in its assessment of bank behavior and financial market conditions by improving knowledge of institutional arrangements and by permitting prompt inquiries in response to unusual circumstances. Information collected through the survey has also been used by the Federal Open Market Committee and has contributed to the formulation of monetary policy.

Description of Information Collection

Both the frequency and the content of the Senior Financial Officer Survey have been, and will continue to be, determined by exigencies. Hence, it is difficult for the Federal Reserve to stipulate the exact nature, type, or timing of future surveys. In the past, surveys have been conducted at irregular intervals and have included both qualitative and quantitative questions. The Federal Reserve recommends no change in the frequency of this report.

Reporting Panel

Domestically Chartered Commercial Banks. The primary panel of respondents, identical to the U.S. commercial bank subset of respondents for the Senior Loan Officer Opinion Survey, currently comprises 55 large, domestically chartered commercial banks, distributed as evenly as possible across Federal Reserve districts.¹ As of September 30, 2011, the assets of the panel banks totaled \$7.5 trillion and accounted for about 69 percent of the \$10.9 trillion in total assets at domestically chartered institutions. The overlap between the reporting panels of the FR 2018 and FR 2023 surveys aids the Federal Reserve in interpreting the data received.

¹ The Federal Reserve tries to maintain the full authorized panel of 60 insured, domestically chartered commercial banks on the FR 2018; however, the continuing rapid pace of bank mergers has made it difficult to maintain a full sample. If necessary, other banks may be added to maintain a constant panel size. The panel is heavily weighted towards large complex banking organizations, but also includes a fair number of large and medium-sized regional banks, which allows for a greater diversity of responses and provides a broader view of the banking system. In addition, the FR 2018 reporting panel also has a subset composed of large U.S. branches and agencies of foreign banks. These institutions are not included in the primary FR 2023 panel because most of their funding operations are in the wholesale, not retail, market or in their home countries. However, should the need arise, U.S. branches and agencies could be surveyed as an optional panel.

Optional Panel. The panel of large domestically chartered commercial banks would be appropriate for most survey topics. In some situations, however, panels based on alternative criteria may be more appropriate or may provide useful additional information. Consequently, the Federal Reserve has the option to survey other types of respondents (such as other depository institutions, bank holding companies, or other financial entities) in addition to the current panel. For example, it may be useful to survey institutional loan investors to gain a better understanding of how that part of the syndicated loan market works. This option enhances the potential scope and utility of the survey and is consistent with the FR 2018. Also consistent with the FR 2018, the surveys of optional panels would be conducted either by the Reserve Bank or Federal Reserve staff, as appropriate.

Proposed Revisions

The Federal Reserve proposes to: (1) add 20 domestically chartered commercial banks with \$2 to \$10 billion in total assets to the current reporting panel and (2) reduce the minimum asset size for panel institutions from \$3 billion to \$2 billion. The Federal Reserve believes that the addition to the panel would provide a more comprehensive picture of differences in funding conditions at the largest banks and regional banks, and deeper coverage of banks that lend in commercial real estate and small business markets. The reporting panel selection criteria for the FR 2023 are consistent with those criteria from the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058). The proposed FR 2023 panel revisions are necessary in order to maintain consistency with the proposed panel revision in the FR 2018.

Consistent with the FR 2018, the Federal Reserve would add the banks to the FR 2023 survey panel over the course of several months. In practice, the additional respondents would be the same as those added to the FR 2018 panel.

Time Schedule for Information Collection and Publication

The survey may be conducted up to four times per year. In 1994, two surveys were conducted that assisted the Federal Reserve in its assessment of bank behavior and financial market conditions. Since then, only two surveys have been conducted (in May 1996 and May 1998), as there were no circumstances requiring more frequent surveys. However, such circumstances could arise in the future and the Federal Reserve believes that the authority to conduct up to four surveys a year is essential in order for the Federal Reserve to maintain the ability to keep abreast of important market developments.

To the extent possible, the Federal Reserve notifies respondents in advance as to the topic(s) to be covered in an impending survey. In extraordinary circumstances, when such notice is not possible, the decision to waive this advance notice provision would be made only by Federal Reserve Board officials. The survey is generally completed through electronic submission by a senior financial officer at each respondent bank. If they prefer, banks also have the option of responding through a telephone interview conducted either by a Reserve Bank officer or senior-level Federal Reserve Board staff member who has expertise in the area of bank liability management, or by a Federal Reserve Board staff member, as appropriate.

Survey responses are tabulated and summarized at the Federal Reserve Board. Summary data are forwarded to Reserve Banks for distribution to respondents and also are available to other members of the public.

Legal Status

The Federal Reserve's Legal Division has determined that the survey is authorized by Sections 2A, 11 and 12A of the Federal Reserve Act (12 U.S.C. §§ 225a, 248(a), and 263) and is voluntary. The individual bank information provided by each respondent is accorded confidential treatment under authority of exemption 4 of the Freedom of Information Act (5 U.S.C. §552 (b)(4)).

Estimate of Respondent Burden

The current annual burden for the FR 2023 is estimated to be 720 hours annually, as shown in the following table. The proposed revisions to the FR 2023 would increase the total estimated annual reporting burden to 960 hours, an increase of 240 hours, based on four surveys per year.² The FR 2023 survey represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Annual Frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	60	4	3	720
Proposed	80	4	3	<u>960</u>
<i>Change</i>	+20			+240

With the proposed revisions the total cost to the public is estimated to increase from the current level of \$28, 944 to \$38,592 for the revised FR 2023.³

² Actual burden underlying the average per hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

³ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 60% Financial Managers @ \$50, and 10% Legal Counsel @ \$54). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for processing this report is negligible.

Consultation Outside the Agency

On February 6, 2012, the Federal Reserve published a notice in the *Federal Register* (77 FR 5802) requesting public comment for 60 days on the extension, with revision, of the FR 2023. The comment period for this notice expires on April 6, 2012.

Sensitive Questions

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