

**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, without revision, of the 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 Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC). No separate submission will be made by either of those agencies. The report is required and must be submitted quarterly by all individual U.S. branches and agencies of foreign banks that have more than \$30 million in direct claims on residents of foreign countries. 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 current annual burden for the FFIEC 019 is estimated to be 7,400 hours. A copy of the current reporting form and instructions is attached.

Background and Justification

The Federal Financial Institutions Examination Council (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 lending the bulk of the funds to home-country residents. Major funding problems emerged for these U.S. offices when the governments of the home countries of the parent banks encountered severe difficulties in servicing their external debt. In 1985 the Board, the FDIC, and the OCC proposed collection of country exposure information from U.S. branches and agencies in order to supervise their operations more effectively. The FFIEC 019 is an important and unique tool for surveillance and oversight that collects the minimal amount of information needed for supervisory purposes.

Oversight of the liquidity positions of all banking offices in the United States is the primary responsibility of the three federal bank supervisory agencies under the Basle Concordat, which is an understanding among bank regulators of several countries relating to mutual supervision of banks operating in international markets. 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, which is jeopardized in branches that have an excessive volume of poor quality or slow paying assets.

One important indicator of potential underlying problems is an excessive concentration by the U.S. branch or agency in assets due from a single country or a small number of countries. Therefore, the regulatory agencies need to be able to make informed judgments 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 limitations on their country exposure (12 CFR 346.23). Their exposure in a single country may not exceed 100 percent (and their home country exposure may not exceed 200 percent) of the amount required in the capital equivalency ledger account of the branch. The data from the FFIEC 019 report assist the FDIC in assessing compliance with these limits by the U.S. branches and agencies.

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 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 of the next five largest country exposures, provided the exposure exceeds \$5 million. These requirements are considerably less burdensome than the information required of domestic banking institutions on the FFIEC 009 Country Exposure Report (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 regulatory 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 more than \$30 million in total direct claims on foreign residents. The branch or agency reports its total exposure (1) to residents of its home country and (2) to the other five foreign nations to which its exposure is largest and is at least \$5 million. The home country exposure must be reported regardless of the size of the total claims for that nation.

Each reporting branch or agency must report, by country as appropriate, the information on its direct claims (assets such as deposit balances, loans, or securities), indirect claims (which include guarantees), and total adjusted claims on foreign residents, as well as information on commitments. The respondent also must report information on claims on related non-U.S. offices that are included in total adjusted claims on the home country, as well as a breakdown, for the home country and each other reported country, of adjusted claims on unrelated foreign residents by the sector of borrower or guarantor, and by maturity (in two categories: one year or less, and over one year). The regulatory agencies are proposing no changes to the FFIEC 019.

Time Schedule for Information Collection

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. Because the information contained in the reports is confidential, the information is not published.

Legal Status

The Board's Legal Division has determined that 12 U.S.C. §§ 3105 and 3108 authorizes the Board to require the report. The report is also authorized by sections 7 and 10 of the Federal Deposit Insurance Act (12 U.S.C. §§ 1817 and 1820) for the FDIC and the National Bank Act (12 U.S.C. § 161) for the OCC. Individual respondent data are regarded as confidential under the Freedom of Information Act (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

Federal Reserve staff members have consulted with representatives of the OCC and the FDIC concerning the proposed extension of this report.

Estimate of Respondent Burden

The FFIEC 019 respondent panel comprises 185 U.S. branches and agencies of foreign banks. The current annual burden is estimated to be 7,400 hours.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FFIEC 019	185	4	10	7,400

The total cost to the public is estimated to be \$500,610.¹

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 annual cost to the Federal Reserve System for collecting and processing the FFIEC 019 reports is estimated to be \$160,000. The Federal Reserve System collects and processes the data for all three of the federal bank regulatory agencies.

¹ Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate:

- (1) 25% - Clerical @ \$25.00,
- (2) 40% - Managerial or Technical @ \$55.00,
- (3) 25% - Senior Management @ \$100.00, and
- (4) 10% - Legal Counsel @ \$144.00.