

FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Submission for OMB Review; Comment Request

AGENCY: Board of Governors of the Federal Reserve System (Board).

ACTION: Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act of 1995.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (the "agencies"), may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

On September 17, 2010, the Board, under the auspices of the Federal Financial Institutions Examination Council (FFIEC) and on behalf of the agencies, published a notice in the *Federal Register* (75 FR 57020) requesting public comment on the extension, with revision, of the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) 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), which are currently approved information collections. The comment period for this notice expired on November 16, 2010. One comment was received expressing support for the proposed revisions. The Board hereby gives notice that it plans to submit to OMB on behalf of the agencies a request for approval of the FFIEC 002 and the FFIEC 002S.

DATES: Comments must be submitted on or before February 10, 2011.

ADDRESSES: Interested parties are invited to submit written comments to the agency listed below. All comments will be shared among the agencies.

You may submit comments, which should refer to “FFIEC002, 7100-0032” by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include docket number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board’s web site at

www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board’s Martin Building (20th and C Streets, N.W.) between 9:00a.m. and 5:00p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW, Washington, DC 20503, or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: Additional information or a copy of the collections may be requested from Cynthia M. Ayouch, Acting Federal Reserve Board Clearance

Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

SUPPLEMENTARY INFORMATION:

Proposal to request approval from OMB of the extension for three years, with revision, of the following report:

Title: Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks; 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

Form Numbers: FFIEC 002; FFIEC 002S

OMB Number: 7100-0032

Frequency of Response: Quarterly

Affected Public: U.S. branches and agencies of foreign banks

Estimated annual reporting hours: FFIEC 002 – 24,200 hours; FFIEC 002S – 1,368 hours

Estimated average hours per response: FFIEC 002 – 25.42 hours; FFIEC 002S – 6.0 hours

Number of respondents: FFIEC 002 – 238; FFIEC 002S – 57

General Description of Report: These information collections are mandatory: 12 U.S.C.

§§ 3105(c)(2), 1817(a)(1) and (3), and 3102(b). Except for select sensitive items, the FFIEC 002 is not given confidential treatment; the FFIEC 002S is given confidential treatment [5 U.S.C. § 552(b)(4) and (8)].

Abstract: On a quarterly basis, all U.S. branches and agencies of foreign banks are required to file the FFIEC 002, which is a detailed report of condition with a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the

International Banking Act of 1978. The data are also used to augment the bank credit, loan, and deposit information needed for monetary policy and other public policy purposes. The FFIEC 002S is a 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 the foreign bank. Managed or controlled means that a majority of the responsibility for business decisions, including but not limited to decisions with regard to lending or asset management or funding or liability management, or the responsibility for recordkeeping in respect of assets or liabilities for that foreign branch resides at the U.S. branch or agency. A separate FFIEC 002S must be completed for each managed or controlled non-U.S. branch. The FFIEC 002S must be filed quarterly along with the U.S. branch or agency's FFIEC 002. The data from both reports are used for: (1) monitoring deposit and credit transactions of U.S. residents; (2) monitoring the impact of policy changes; (3) analyzing structural issues concerning foreign bank activity in U.S. markets; (4) understanding flows of banking funds and indebtedness of developing countries in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis; and (5) assisting in the supervision of U.S. offices of foreign banks. The Federal Reserve System collects and processes these reports on behalf of all three agencies.

Current Actions: The agencies propose to implement a number of revisions to the existing reporting requirements of the FFIEC 002, principally to help achieve consistency with the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031 and FFIEC 041) filed by insured commercial banks and state-chartered savings banks. The proposed revisions to the FFIEC 002 summarized below have been approved for publication by the FFIEC. The agencies would implement the proposed changes for the March 31, 2011, reporting date.

Discussion of Proposed Revisions to the FFIEC 002

A. Additional Detail on Trading Assets

U.S. branches and agencies of foreign banks (branches) currently report mortgage-backed securities (MBS) issued or guaranteed by U.S. Government agencies that are held for investment in Schedule RAL, item 1.c.(2)(a), all other MBS that are held for investment in Schedule RAL, item 1.c.(2)(b), and other asset-backed securities (other than MBS) held for investment in Schedule RAL, item 1.c.(3). However, branches currently report only a two-way split of trading assets between U.S. Treasury and Agency securities held for trading (Schedule RAL, item 1.f.(1)) and all other trading assets (Schedule RAL, item 1.f.(2)). The agencies propose to collect information on Schedule RAL, Assets and Liabilities, for mortgage-backed securities (MBS) held for trading, with a split between MBS issued or guaranteed by U.S. Government agencies (new Schedule RAL, item 1.f.(2)(a)) and all other MBS (new Schedule RAL, item 1.f.(2)(b)), and for other asset-backed securities (other than MBS) held for trading (new Schedule RAL, item 1.f.(3)). Current Schedule RAL, item 1.f.(2), Other trading assets, would be defined to exclude all asset-backed securities held for trading and would be renumbered as item 1.f.(4).

The additional detail would allow the agencies to better monitor movements in trading securities over time, and provide for more meaningful analysis of the existing categories of trading assets. For example, from March 2003 to December 2006 U.S. Treasury and Agency securities held for trading by branches fell from \$33.0 billion to \$23.7 billion, and by December 2009 had declined to \$19.3 billion. From March 2003 to December 2006 other trading assets¹

¹ As reported in Schedule RAL, item 1.f.(2), less the amount of trading derivatives with a positive fair value, as such amounts are separately disclosed on the FFIEC 002.

held by branches rose from \$41.5 billion to \$120.6 billion, and by December 2009 had declined to \$52.0 billion.

B. Time Deposits of \$100,000 or More

The reporting instructions for Schedule E, Deposit Liabilities and Credit Balances, memorandum item 1.a, Time deposits of \$100,000 or more, indicate that branches should include in this item all brokered deposits issued in amounts of \$100,000 or more, regardless of whether they were participated out in shares of less than \$100,000. However, in March 2007 the Call Report instructions for a comparable item were modified to exclude all brokered deposits issued in amounts of \$100,000 or more that have been participated out by the broker in shares of less than \$100,000. The agencies propose to revise the reporting instructions for Schedule E, memorandum item 1.a, to exclude such brokered deposits. Thus, the instructions would be amended to state “Exclude from this item all time deposits issued to deposit brokers in the form of large (\$100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than \$100,000.” This will make the instructions consistent across these reporting series and also simplify reporting for those foreign banks that own both domestically chartered banks (which file the FFIEC 031 or 041 Call Report) and U.S. agencies or branches (which file the FFIEC 002).

Schedule E, memorandum item 1.c, Time certificates of deposit in denominations of \$100,000 or more with remaining maturity of more than 12 months, is currently defined to include those time certificates of deposit issued in denominations of \$100,000 or more, and to exclude open-account time deposits. The agencies propose to revise the caption to this item as “Time deposits of \$100,000 or more with remaining maturity of more than 12 months included in Memorandum item 1.a, ‘Time deposits of \$100,000 or more,’ above” to include both time

certificates of deposit and open-account time deposits. The agencies also propose to revise the reporting instructions for this item to report such deposits “with outstanding balances of \$100,000 or more” rather than “issued in denominations of \$100,000 or more” and to indicate that amounts reported in memorandum item 1.c are included in memorandum item 1.a. These changes would make the reporting of memorandum item 1.c more consistent with the reporting of memorandum item 1.a and with the reporting of comparable items collected on the bank Call Report.

C. Financial Assets and Liabilities Measured at Fair Value

Effective for the September 30, 2008, report date, the banking agencies began collecting information on certain assets and liabilities measured at fair value on FFIEC 002 Schedule Q, Financial Assets and Liabilities Measured at Fair Value. Currently, this schedule is completed by branches with a significant level of trading activity or that use a fair value option. The information collected on Schedule Q is intended to be consistent with the fair value disclosures and other requirements in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* [formerly FASB Statement No. 157, *Fair Value Measurements* (FAS 157)]. Based on the agencies’ ongoing review of industry reporting and disclosure practices since the inception of this standard, and the reporting of items at fair value on Schedule RAL, Assets and Liabilities, the agencies propose to expand the data collected on Schedule Q in two material respects.

First, to improve the consistency of data collected on Schedule Q with the ASC Topic 820 disclosure requirements and industry disclosure practices, the agencies propose to expand the detail of the collected data. The agencies propose to expand the detail on Schedule Q to collect fair value information on all assets and liabilities reported at fair value on a recurring

basis in a manner consistent with the asset and liability breakdowns on Schedule RAL. Thus, the agencies propose to change the title of Schedule Q to Assets and Liabilities Measured at Fair Value on a Recurring Basis and add items to collect fair value information on:

- Available-for-sale securities (new item 1);
- Federal funds sold and securities purchased under agreements to resell (new item 2);
- Federal funds purchased and securities sold under agreements to repurchase (new item 9);
- Other borrowed money (new item 11); and
- Subordinated notes and debentures (new item 12).

The agencies also propose to modify the existing collection of loan and lease data and trading asset and liability data to collect data separately for:

- Loans and leases held for sale (new item 3);
- Loans and leases held for investment (new item 4);
- Trading derivative assets (new item 5.a);
- Other trading assets (new item 5.b);
- Trading derivative liabilities (new item 10.a); and
- Other trading liabilities (new item 10.b).

The agencies also propose to add totals to capture total assets (new item 7) and total liabilities (new item 14) for items reported on the schedule. In addition, the agencies propose to modify the existing items for “other financial assets and servicing assets” and “other financial liabilities and servicing liabilities” to collect information on “all other assets” (new item 6) and “all other liabilities” (new item 14) reported at fair value on a recurring basis, including nontrading derivatives. Components of “all other assets” and “all other liabilities” would be

separately reported (in new memorandum items 1 and 2, respectively) if they are greater than \$25,000 and exceed 25 percent of the total fair value of “all other assets” and “all other liabilities,” respectively. In conjunction with this change, the existing reporting for loan commitments accounted for under a fair value option would be revised to include these instruments, based on whether their fair values are positive or negative, in the items for “all other assets” and “all other liabilities” reported at fair value on a recurring basis, with separate disclosure of these commitments if significant. Furthermore, current item 2.a, Nontrading securities at fair value with changes in fair value reported in current earnings, and current item 4, Deposits, would be renumbered as items 5.b.(1) and 8, respectively.

Second, the agencies propose to modify the reporting criteria for Schedule Q. The current instructions require all branches that have adopted ASC Topic 820 and (1) have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option or (2) have trading assets of \$2 million or more in any of the four preceding calendar quarters, to complete Schedule Q. The agencies propose to maintain this reporting requirement for branches that use a fair value option or that have significant trading activity. In addition, the agencies propose to extend the requirement to complete Schedule Q to all branches that reported \$500 million or more in total assets as of the preceding December 31, regardless of whether they have elected to apply a fair value option to financial or servicing assets and liabilities.

The agencies believe that the proposed information is necessary to more accurately assess the impact of fair value accounting and fair value measurements for safety and soundness purposes. The collection of the information on Schedule Q, as proposed, will facilitate and enhance the banking agencies’ ability to monitor the extent of fair value accounting by branches,

including the elective use of fair value accounting and the nature of the inputs used in the valuation process, pursuant to the disclosure requirements of ASC Topic 820. The information collected on Schedule Q is consistent with the disclosures required by ASC Topic 820 and consistent with industry practice for reporting fair value measurements and should, therefore, not impose significant incremental burden on branches.

Request for Comment

Comments are invited on:

a. Whether the information collections are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

b. The accuracy of the agencies' estimates of the burden of the information collections, including the validity of the methodology and assumptions used;

c. Ways to enhance the quality, utility, and clarity of the information to be collected;

d. Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this notice will be shared among the agencies. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden including the use of automated collection techniques or the use of other forms of information technology as well as other relevant aspects of the information collection request.

Board of Governors of the Federal Reserve System, January 5, 2011.

 (Signed)
Jennifer J. Johnson
Secretary of the Board.