

**Supporting Statement for the
Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and
Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to revise, without extension, the Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report (FFIEC 009; OMB No. 7100-0035) and the Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035).

The reporting and disclosure provisions of the International Lending Supervision Act of 1983 (the Act) authorize the Federal Reserve to require these reports. The FFIEC mandates both reports, and the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) collect identical reports from institutions under their supervision. The FDIC and the OCC also are submitting a similar request for OMB review for banks under their supervision.

U.S. commercial banks and bank holding companies that meet certain criteria file quarterly the Country Exposure Report (FFIEC 009) with the Board, the FDIC, and the OCC (agencies) and provide information on international claims of U.S. banks and bank holding companies that is used for supervisory and analytical purposes. The information is used to monitor country exposure of banks to determine the degree of risk in their portfolios and the possible impact on U.S. banks of adverse developments in particular countries. The Country Exposure Information Report (FFIEC 009a) is a supplement to the FFIEC 009 and provides publicly available information on material foreign country exposures (all exposures to a country in excess of 1 percent of total assets or 20 percent of capital, whichever is less) of U.S. banks and bank holding companies that file the FFIEC 009 report. As part of the Country Exposure Information Report, reporting institutions must also furnish a list of countries in which they have lending exposures above 0.75 percent of total assets or 15 percent of total capital, whichever is less.

The agencies propose to revise the FFIEC 009 in order to harmonize U.S. data with data on cross-border exposures collected by other countries and disseminated by the Bank for International Settlements (BIS) as their “consolidated banking statistics.” The proposed revisions should also provide additional information about U.S. banks’ exposure to country risk, transfer risk, and foreign-exchange risk. The proposed revisions would collect additional detail on foreign-office claims of U.S. banks on local residents, including sector breakdowns and a currency split; a split between commitments and guarantees plus credit derivatives; and trade finance after adjustments for collateral and guarantees. Under the proposal, the definition of the public (i.e., government) sector would be brought into agreement with the definition used in the Consolidated Reports of Condition and Income (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) (Call Report) that banks file quarterly. No changes to the FFIEC 009a are proposed, although the change in the definition of the public sector on the FFIEC 009 would change the amounts reported in columns 6 and 7 of the FFIEC 009a by corresponding amounts. The instructions to the FFIEC 009a reporting form would need to be changed, however, to reflect column changes on the FFIEC 009.

In proposing these revisions, the FFIEC has attempted to be mindful of the fact that some of the revisions may increase reporting burden for reporters. In light of this, the FFIEC has looked for

areas in which reporting burden might be reduced. As a consequence, the proposed revisions drop a number of items from the report. For example, reporters are no longer asked to report: total cross-border claims on an immediate-counterparty basis, the maturity of claims in the one-to-five year and over-five-year categories, commitments on an immediate-counterparty basis, and risk redistributions for commitments.

The agencies propose to implement changes to the FFIEC 009 and the FFIEC 009a effective with the March 2006 report date. The annual reporting burden for the proposed FFIEC 009 and the FFIEC 009a reports is estimated to be 8,456 hours, an increase of 4,640 hours. Attached are copies of the proposed reporting forms and instructions.

Background and Justification

The banking agencies use the FFIEC 009 report in carrying out their supervisory and regulatory responsibilities to collect information on overseas lending activities of U.S. banks to customers in individual countries. The information is used to monitor and analyze banks' country exposure in order to determine the possible impact on individual banks and on the entire U.S. banking system of adverse developments in particular countries. It is a basic source of information on the geographic distribution of bank claims that is provided to other U.S. government agencies and to the BIS. The information collected in the report is not available from any other source.

The FFIEC 009 report originated in 1977 in response to concerns about the lack of information on banks' country risk exposures, in view of the substantial growth in international lending by U.S. banks in the mid-1970s. In 1984 the FFIEC increased the frequency from semiannual to quarterly, implementing reporting requirements of the International Lending Supervision Act, to obtain more frequent and timely data on changes in the composition and maturity of banks' loan portfolios subject to transfer risk. The FFIEC revised the report in 1985 to provide greater sector detail on third-country guarantors for country redistribution of guaranteed claims and to obtain information on trade finance.

The FFIEC 009a report was implemented in 1984 as a supplement to the FFIEC 009 report to provide public disclosure of information regarding material country risk exposure in accordance with the Act. Section 907 of the Act provides that the federal banking agencies shall require and publicly disclose certain reports from banking institutions with foreign country exposure. The FFIEC 009a is available to the public and requires respondents to report all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. In addition, each institution furnishes a list of the countries in which exposures are between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of primary capital, whichever is less. Data are reported net of adjustments for transfers of exposure, for example through guarantees. The FFIEC initially established this reporting basis, which is consistent with the approach taken by the Securities and Exchange Commission, following consultation with bankers.

Effective with the March 31, 1997, report date, the FFIEC incorporated the following revisions to the FFIEC 009: added a new schedule to collect information on the respondent's country exposure resulting from revaluation gains on foreign exchange and derivative contracts held in the trading account; added a new item, Assets Held for Trading (new column 20); deleted an item, Amount of Claims that Represent Guarantees Issued by the U.S. Government and its Agencies (old

column 13); combined three columns, Commercial Letters of Credit (old column 20), Standby Letters of Credit and Risk Participations Purchased (old column 21), and All Other Commitments (old column 22), into one column Commitments (new column 15); redefined the column Trade Financing to contain all items reported in column 9, Trade Financing and column 20, Commercial Letters of Credit and renumbered as column 21; combined columns for the breakdown of time remaining to maturity for total claims on foreign residents for Over One Year to Two Years and Over Two Years to Five Years into a single column for Over One Year to Five Years; and revised the instructions to require all claims consisting of available-for-sale securities to be reported at amortized cost rather than at fair value. In addition, minor instructional clarifications and a revision of the reporting form to reflect country code changes were changed. The revisions to the FFIEC 009a report included the addition of a new column to collect the Amount of Cross-border Claims Outstanding from Derivative Products after Mandated Adjustments for Transfer of Exposure and Amount of Net Local Country claims from Derivative Products (new column 3).

Effective with the March 31, 2003, report date, the FFIEC required electronic submission of all FFIEC 009 and FFIEC 009a reports.

Description of Information Collection

The FFIEC 009 report is filed as of the last business day of each quarter by any state member bank and bank holding company that (a) has at least one of the following: (1) a branch in a foreign country; (2) a subsidiary in a foreign country; (3) an Edge or Agreement subsidiary; (4) an International Banking Facility (IBF) subsidiary; or (5) a branch in Puerto Rico or any U.S. territory or possession; and (b) has, on a fully consolidated basis, total outstanding claims of at least \$30 million on residents of foreign countries.

The FFIEC 009 report collects information, by country,¹ on two schedules. Schedule 1 collects information on the respondent's country exposure excluding claims resulting from the positive fair value of derivatives contracts, which are reported in Schedule 2. Specifically, Schedule 1 collects information on the respondent's cross-border claims on foreigners, including the sector (bank, public, or other) of the borrower, the remaining maturity of the claim (three categories), the redistribution of these claims to account for guarantees and collateral, the net position of the respondent's offices in each country vis-à-vis its offices in other countries, cross-border commitments to and guarantees (including credit derivatives) on foreigners, the redistribution of these commitments and guarantees to account for guarantees and collateral, claims and liabilities of the respondent's foreign offices, cross-border claims attributable to assets held in the respondent's trading account, and cross-border claims that are trade finance. Schedule 2 collects information on the respondent's cross-border claims on foreigners that result from the positive fair value of derivative contracts held for trading purposes, including the sector (bank, public, and other) of the borrower, claims on bank obligors' branch offices that represent transfer risk remaining in the countries in which the branches are located, and optional information on the positive and negative fair value of derivatives contracts of foreign offices vis-à-vis local residents.

¹ Country names and country codes used for reporting FFIEC 009 data are based on the geographical classification published by the Department of the Treasury. The reporting form may be modified, from time to time, to reflect country consolidations or countries that have recently gained independence.

The FFIEC 009a is a quarterly supplement to the FFIEC 009 report and implements public disclosure provisions of the Act. Respondents provide detail on all exposures to a country in excess of 1 percent of the total assets or 20 percent of capital of the reporting institution, whichever is less. Each FFIEC 009a respondent also furnishes a list of the countries in which exposures are between 0.75 percent and 1 percent of total assets or between 15 and 20 percent of primary capital, whichever is less. In addition, Section 910(a)(1) of the Act authorizes the federal banking agencies to interpret and define the terms used in the Act. Thus, the agencies have the right to order a banking institution to file the FFIEC 009 and FFIEC 009a quarterly, even if the specified reporting criteria are not met, if the agencies deem the institution's country exposure to be material in relation to its capital and assets.

Proposed Revisions to the FFIEC 009 Reporting Form

One reason for requesting changes to the FFIEC 009 is to increase the degree of harmonization between U.S. data and data collected by other countries' central banks. Together, these data make up the BIS consolidated banking statistics, which are compiled by the BIS from data submitted by the G-10² central banks and a number of other developed and developing country central banks. Beginning as of December 2004, the BIS will implement enhancements to these statistics. The enhancements will provide users with more data on an "ultimate-risk" basis—i.e., after adjusting for collateral and third-party guarantees—including details on local claims and commitments and guarantees. Most of the participating central banks, including all of the G-10 central banks, agreed to collect the new data, and also to harmonize their existing data more closely with BIS guidelines. Therefore, some of the proposed revisions are intended to collect the new data that the BIS will begin compiling and other revisions are intended to bring U.S. data into agreement with the current BIS guidelines. As a result, when the enhanced statistics are implemented, they will reflect a significant harmonization of country exposure data across countries.

As a general rule, it is desirable for the United States to comply with international data collection efforts, especially when doing so does not cause undue burden on U.S. reporting institutions. The cost of complying with the new statistics will be considerably less for U.S. reporters than for reporters in many countries, because most of the data needed for the enhancements to the BIS statistics were already collected on the FFIEC 009, whereas many countries must collect a large amount of new data. U.S. compliance helps create international data that are comparable across countries and are, therefore, more useful. If the United States were not to collect these additional data, it would be the only large country not in almost full compliance with the new statistics.

Schedule 1: Country Exposure Report (Excluding Foreign Exchange and Derivative Products)

1. Redefine columns 1, 2, and 3. Cross-Border Claims by Banks (column 1), Public (column 2), and Other (column 3) would include only cross-border claims and would exclude foreign-office claims on local residents that are guaranteed by residents of other countries. This change would increase harmonization of international data by bringing U.S. data into agreement with BIS

² The Group of Ten is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States) which consult and cooperate on economic, monetary and financial matters.

guidelines. The columns would be renamed Immediate-Counterparty Basis: Cross-Border Claims by Banks (column 1), Public (column 2), and Other (column 3) on the proposed reporting form.

2. Delete column 4. Cross-Border Claims: Total (column 4) would be deleted in order to lower reporting burden. Total cross-border claims on an *ultimate-risk* basis are considerably more useful than immediate-counterparty data for assessing banks' exposure to country risk and can be calculated from the proposed reporting form.

3. Add three columns. The proposed columns, Immediate-Counterparty Basis: Foreign-Office Claims on Local Residents in Non-Local Currency by Banks (column 4), Public (column 5), and Other (column 6), would be added to achieve compliance with the BIS Guidelines for their consolidated banking statistics and would give data users more detail on local-office claims.

4. Redefine and renumber column 5. Cross-Border Claims: Estimated Breakdown of Column (4) by Time Remaining to Maturity: One Year and Under (column 5) would include foreign-office claims on local residents in non-local currency. This change would improve, in a way that adds the least number of columns to the reporting form, harmonization of international data by bringing U.S. data into agreement with the BIS guidelines for the consolidated banking statistics. This change does not alter, nor does it reflect a change in, the definitions of country, cross-border, or transfer risks. The column would be renamed and renumbered Immediate-Counterparty Basis: Breakdown of Total of Columns 1 through 6: Remaining Maturity Up to and Including 1 Year (column 7) on the proposed reporting form.

5. Delete columns 6 and 7. Cross-Border Claims: Estimated Breakdown of Column (4) by Time Remaining to Maturity for Over One Year to Five Years (column 6) and Over Five Years (column 7) would be deleted in order to lower reporting burden. In addition, the distinction between the two maturity buckets is considered to be of marginal usefulness.

6. Add a column. The proposed column, Immediate-Counterparty Basis: Foreign-Office Claims on Local Residents in Local Currency (column 8), would be added to increase harmonization of international data by bringing U.S. data into agreement with BIS guidelines.

7. Redefine and renumber columns 8, 9 and 10. Cross-Border Claims: Claims Reported in Columns 1-3 with Head Office/Guarantor Located in Another Country by Bank (column 8), Public (column 9), and Other (column 10) would include outward risk transfers for all local office claims as well as for cross-border claims. The columns would be renamed and renumbered Redistribution of Claims to Adjust for Ultimate Risk: Outward Risk Transfers of Claims Reported in Columns 1 through 6 and 8 or on U.S. Residents by Claims on Banks (column 9), Claims on Public (column 10), and Claims on Other (column 11) on the proposed reporting form.

8. Rename and renumber columns 11, 12, and 13. Cross-Border Claims: Redistribution of Guaranteed Amounts Reported in Columns 8-10 to Country of Head Office/Guarantor by Bank (column 11), Public (column 12), and Other (column 13) would be renamed and renumbered Redistribution of Claims to Adjust for Ultimate Risk: Inward Risk Transfers of Claims Reported in Columns 9, 10, and 11 by Claims on Banks (column 12), Claims on Public (column 13), and Claims on Other (column 14) on the proposed reporting form.

9. Renumber column 14. Net Due to (or Due from) Own Related Offices in Other Countries (column 14) would become an item on the new schedule “Schedule 1a: Country Exposure Report – Foreign-Office Liabilities and Memorandum Items” and be renumbered to column 4 on the proposed schedule.

10. Delete column 15. Commitments (column 15) would be deleted in order to lower reporting burden. Immediate-counterparty commitments and guarantees are considered to be less useful than the ultimate-risk data.

11. Delete columns 16 and 17. Commitments in Column (15) Head Office/Guarantor in Another Country (column 16) and Redistribution of Commitments in Column (16) to Country of Head Office/Guarantor (column 17) would be deleted in order to lower reporting burden. The primary use for these columns was to compute commitments and guarantees on an ultimate-risk basis.

12. Add three columns. The proposed columns, Ultimate-Risk Basis: Cross-Border Claims by Banks (column 15), Public (column 16), and Other (column 17), would be added to collect directly data that must be calculated from the current reporting form, but that would not be able to be calculated from the proposed reporting form. Using the current reporting form, cross-border claims on an ultimate-risk basis (i.e., after adjusting for guarantees and collateral) are calculated by adding the data in columns 1, 2, 3, 11, 12, and 13 and subtracting the data in columns 8, 9, and 10. These data are and will continue to be the one of the key numbers on the E.16 Statistical Release, *Country Exposure Lending Survey*, and are used for country risk analysis. The data will also continue to be the basis for the amounts reported on the FFIEC 009a. Other than the change in the definition of the public sector, there should be no difference between the amounts reported in these proposed columns and the amounts that would be calculated from the data on the current reporting form.

13. Split column 18 into three columns. Local Country Claims on Local Residents (column 18) would be split into three columns, Ultimate-Risk Basis: Foreign-Office Claims on Local Residents by Banks (column 18), Public (column 19), and Other (column 20), on the proposed reporting form. These columns would collect a breakdown of foreign-office claims on local residents by sector of the ultimate obligor. This breakdown would increase harmonization of international data by bringing U.S. data into agreement with the BIS guidelines for the consolidated banking statistics. It would also improve the ability of U.S. data users to evaluate the exposures of foreign offices of U.S. banks to local residents.

14. Add a column. The proposed column, Ultimate-Risk Basis: Foreign-Office Claims on Local Residents: Breakdown of Total of Columns 18, 19, and 20: Claims in Non-Local Currency (column 21), would be added to improve the ability of U.S. data users to evaluate the exposures of foreign offices of U.S. banks to local residents.

15. Add two columns. The proposed columns, Ultimate-Risk Basis: Cross-Border and Foreign-Office Commitments and Guarantees by Unused Commitments (column 22) and Guarantees and Credit Derivatives (column 23), would be added on the proposed reporting form. These proposed columns differ in two ways from commitments on an ultimate-risk basis that are derived from columns 15, 16, and 17 on the current reporting form (by adding columns 15 and 17 and then subtracting column 16). First, on the current reporting form, commitments are combined indistinguishably with guarantees (including credit derivatives); whereas on the proposed reporting

form, commitments and guarantees (including credit derivatives) would each be reported separately. Second, the current reporting form collects only cross-border commitments and guarantees, whereas the proposed reporting form would collect cross-border commitments and guarantees *plus foreign-office* commitments to and guarantees on local residents. The proposed columns would increase harmonization of international data by bringing U.S. data into agreement with the BIS guidelines. In addition, the inclusion of foreign-office commitments to and guarantees on local residents would provide a more complete picture of the contingent exposures of U.S. banks to foreign residents. The breakout of commitments from commitments and guarantees (plus credit derivatives) would provide a more useful picture of the exposures of U.S. banks to foreign residents, because commitments have a different purpose and are likely to have a different risk profile than guarantees.

16. Split column 19 into two columns. Local Country Liabilities (column 19) would be split into two columns and would become items on the new Schedule 1a, Foreign-Office Liabilities in Non-Local Currency (column 1) and Foreign-Office Liabilities in Local Currency (column 2), on the proposed reporting form. Foreign-office liabilities represent legal obligations of a foreign office and for which no payment is guaranteed at locations outside of the country of the office. Collecting foreign-office liabilities in local currency achieves greater harmonization of international data, by bringing U.S. data into greater agreement with BIS guidelines. In addition, data on foreign-office liabilities in local currency, together with the information collected in proposed columns 18, 19, 20, and 21 from which one can derive foreign-office claims on local residents in local currency, gives data users information about the *net* exposures of foreign offices of U.S. banks to local residents in local currency. The total of the two proposed columns—total foreign-office liabilities—is needed in order to calculate net local claims that are currently reported in column 2 of the FFIEC 009a.

17. Rename and renumber column 20. Amounts Reported in Column (4) After Adjustments in Columns (8-13) that Represent Assets Held for Trading (column 20) would be renamed and renumbered on the new Schedule 1a, Amounts Reported in Columns 15, 16, and 17 of Schedule 1 that Represents Assets Held for Trading (column 5), on the proposed reporting form.

18. Redefine and renumber column 21. Trade Financing Reported in Columns (4) and (15) (column 21) would be renamed and renumbered on the new Schedule 1a, Amounts Reported in Columns 15 through 20 and 22 and 23 of Schedule 1 that are Trade Finance (column 6), on the proposed reporting form. The proposed column differs from what is currently collected because the data would be collected on an ultimate-risk basis rather than immediate-counterparty basis. On the current reporting form, trade financing is to be reported for claims reported in columns 1, 2, 3, 4, and 15—i.e., for cross-border claims and commitments (plus guarantees and credit derivatives) on an immediate-counterparty basis. On the proposed reporting form, it would be reported for cross-border and foreign-office claims, commitments, and guarantees (plus credit derivatives) on an ultimate-risk basis. This change makes the reporting of trade finance more comparable with data on bank claims on an ultimate-risk basis.

Schedule 1a: Country Exposure Report – Foreign-Office Liabilities and Memorandum Items

Add a column. The proposed column, Foreign-Office Liabilities: Total Liabilities Booked at Foreign Offices (column 3), would be reported by only those institutions that meet the criteria described in Section I.D of the proposed FFIEC 009 instructions, which are equivalent to the criteria to file the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks

(FR 2502q; OMB No. 7100-0079). Currently, thirty-two institutions that file the FFIEC 009 also file 147 separate FR 2502q reports, one for each country of their foreign branches and each country of their foreign subsidiaries. On the FR 2502q, they report liabilities (and assets) by country of residence of the creditor (and borrower). This information is extremely useful to the Board and the U.S. Treasury Department when the U.S. government needs to review the magnitude of claims of foreign residents on U.S. banks, particularly at times of international crisis. The FR 2502q would be scaled back to collect data from foreign offices located only in the Caribbean and the United Kingdom. This would reduce the number of FR 2502q reports that would need to be filed by FFIEC 009 reporters from 147 to forty-nine, reducing reporting burden, on net, for these reporters. Reporting burden for FFIEC 009 reporters that do not currently meet the criteria to report the FR 2502q would not change, because they would be exempted from reporting this column.

Schedule 2: Country Exposure Report - Foreign Exchange and Derivative Products

There are no revisions of substance that are proposed for Schedule 2. However, two changes are proposed for the language used in Schedule 2.

1. Replace “Revaluation Gains” and “Revaluation Losses” with “Positive Fair Values” and “Negative Fair Values.” These changes are made for clarity, and are not intended to change the amounts reported on the form.

2. Rename columns 6 and 7. Local Country Claims on Local Residents (column 6) would be renamed Foreign-Office Claims on Local Residents and Local Country Liabilities (column 7) would be renamed Foreign-Office Liabilities. The new terminology is more descriptive of what is being collected. No change is proposed to the definition of what is to be reported.

Proposed Revisions to the FFIEC 009 Instructions

Schedule 1

1. Change instructions so that claims are reported in columns 1 through 8 on *only* an immediate-counterparty basis—i.e., according to the country of residence and sector of the borrower. The current FFIEC 009 instructions state that columns 1 through 7 should include, in addition to cross-border claims, “foreign office local and non-local currency claims on local residents that are guaranteed by residents of other countries,” which are reported according to the country of residence of the guarantor, and that in Columns 1, 2, and 3, “if the credit is guaranteed by another sector in the same country, report the amount in the sector to which the respondent looks for the ultimate source of repayment.” The proposed reporting form drops these instructions, and by doing so, would produce a more accurate measure of claims on an immediate-counterparty basis. This change would increase the harmonization of international data by bringing U.S. data into agreement with the BIS guidelines for the consolidated banking statistics.

2. Redefine public sector to conform to that used in the Call Reports. The definition of the public sector (used for columns 2, 9, and 12) in the current FFIEC 009 instructions is broader than the definition used in the Call Report instructions. The revised instructions would change the definition to conform to that used in the Call Report. Specifically, claims on government-owned commercial firms, which are defined as claims on the public sector under the current instructions,

would not be considered to be claims on the public sector under the proposed revisions. This change, by achieving consistency of definitions with the Call Report, should reduce reporting burden. In addition, this change increases harmonization of international data, because this is the same definition recommended in the BIS guidelines. The definition has the added advantage of logical consistency, because it treats government-owned commercial firms in the same manner as government-owned banks, which are excluded from the public sector under the current instructions. The “other” sector category (column 3, 10, and 13) is a residual category. Thus, changing the definition of the public sector would result in a change in the amounts reported in the “other” sector columns as well. The definition of the banking sector would not change. Note that the redefinition of the public sector, described above in the context of Schedule 1, would also affect the reporting of claims on the public sector in Schedule 2.

3. Change instructions to measure more accurately the redistribution of claims to adjust for ultimate risk (columns 8 through 13). Columns 8 through 13 on the current reporting form reflect the redistribution of only cross-border claims, whereas the redistribution of foreign-office claims on local residents is included indistinguishably with cross-border claims. Under the proposed revisions, these columns would include the redistribution of cross-border claims *and* foreign-office claims on local residents. In addition, under the proposed revisions, within-country, inter-sectoral risk transfers should be reported, whereas the current instructions state that claims that are guaranteed by a resident of the same country as the borrower should be reported according to the sector of the guarantor, rather than that of the borrower. Together, these changes mean that these columns would fully reflect risk redistributions, thereby increasing the transparency of data reported by U.S. banks. The changes would also increase harmonization of international data by bringing U.S. data into agreement with the BIS guidelines for the consolidated banking statistics.

Schedule 2

Change instructions so that exposures from derivative contracts are reported for all derivative contracts, not just for derivative contracts held for trading. The current instructions ask that revaluation gains on, i.e., positive fair values of, derivative contracts be reported for only those contracts held for trading. This change would improve the ability of U.S. data users to assess the exposures of U.S. banks to foreign residents. Note that the redefinition of the public sector, described in the previous section, would also affect claims on the public sector reported in Schedule 2.

Time Schedule for Information Collection

The time schedule for filing both reports is quarterly as of the end of March, June, September, and December, and each report should be submitted within 45 days of the reporting date. The Federal Reserve is responsible for collecting, editing, and compiling the data on behalf of all three banking agencies.

The FFIEC publishes aggregate data from the FFIEC 009 quarterly in the E.16 statistical release, “Country Exposure Lending Survey.” In addition, the Federal Reserve makes aggregate data available to the BIS. The BIS then publishes statistical data on consolidated bank claims on foreign borrowers as its “consolidated international banking statistics” on its website and in its Quarterly Review. Data from the FFIEC 009a are published on the FFIEC website.

Legal Status

The Board's Legal Division has determined that Section 11(a) of the Federal Reserve Act [12 U.S.C. 248(a)], Section 5(c) of the Bank Holding Company Act of 1956 [12 U.S. 1844(c)], and Section 907 of the International Lending Supervision Act of 1983 [12 U.S.C. 3906] authorize the Federal Reserve to require both reports. Individual respondent data reported on the FFIEC 009 are exempt from disclosure under the Freedom of Information Act [5 U.S.C. 552(b)(4) and (b)(8)].

Consultation Outside the Agency

On August 17, 2004, the agencies jointly published a sixty-day notice in the *Federal Register* (69 FR 51145) soliciting comments on proposed revisions to the FFIEC 009 and the FFIEC 009a. After considering the two comments received, the agencies met with the commenters and a few large financial institutions. Due to the substantive nature of the comments, the agencies modified the proposal. On April 19, 2005, the agencies jointly published a second sixty-day notice in the *Federal Register* (70 FR 20414) soliciting comments on the modified proposal. After considering the three comments received, the agencies further modified the proposal.

Estimate of Respondent Burden

The reporting burden associated with the current FFIEC 009 is estimated to require an average of 30 hours per response, for a total burden of 3,480 hours annually. The reporting burden associated with the current FFIEC 009a is estimated to require an average 5.25 hours per response, for a total of 336 hours annually.

The reporting burden for the revised FFIEC 009 report is estimated to be 8,120 hours per year, representing a net increase of 4,640 hours. The increase of 4,060 hours is due to public comments received to increase the estimated average hours per response by 35 hours for the current report. An increase of 580 hours is due to the proposed revisions which increase the estimated average hours per response by 5 hours. The proposed total burden represents less than 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FFIEC 009	29	4	30	3,480
FFIEC 009a	16	4	5.25	<u>336</u>
<i>Total</i>				3,816
Proposed				
FFIEC 009	29	4	70	8,120
FFIEC 009a	16	4	5.25	<u>336</u>
<i>Total</i>				8,456
<i>Change</i>				4,640

Based on an hourly rate of \$20, the annual cost to the public is estimated to increase from the current level of \$76,320 to \$169,120 for the revised FFIEC 009 and the FFIEC 009a reports.

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The proposed cost to the Federal Reserve System for collecting and processing the FFIEC 009 and FFIEC 009a is estimated to be \$84,000 per year, an increase of 12 percent from the current cost of \$75,000. The one-time cost to implement the revised reports is estimated to be \$66,000.