

**Supporting Statement for
the Weekly Report of Assets and Liabilities for Large Banks
(FR 2416; OMB No. 7100-0075),
the Weekly Report of Selected Assets (FR 2644; OMB No. 7100-0075),
and the Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies
of Foreign Banks (FR 2069; OMB No. 7100-0030)**

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 following three reports:

- The *Weekly Report of Assets and Liabilities for Large Banks* (FR 2416; OMB No. 7100-0075), a detailed balance sheet report that is collected as of each Wednesday from an authorized sample of fifty large U.S.-chartered commercial banks.
- The *Weekly Report of Selected Assets* (FR 2644; OMB No. 7100-0075), a considerably less detailed report that is collected as of each Wednesday from an authorized stratified sample of 1,100 smaller U.S.-chartered commercial banks.
- The *Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks* (FR 2069; OMB No. 7100-0030), a balance sheet report that is collected as of each Wednesday from an authorized sample of ninety-two U.S. branches and agencies of foreign banks.

These three voluntary reports, which are commonly referred to as the bank credit reports, are mainstays of the reporting system from which data for analysis of current banking developments are derived. The FR 2416 is used on a stand-alone basis as the “large domestic bank series.” The other two reports collect sample data, which are used to estimate universe levels using data from the quarterly commercial bank *Consolidated Reports of Condition and Income* (FFIEC 031-041; OMB No. 7100-0036) and the *Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks* (FFIEC 002; OMB No. 7100-0032) (Call Reports). Data from all three reports, together with data from other sources, are used for constructing weekly estimates of bank credit, of sources and uses of bank funds, and of a balance sheet for the banking system as a whole.

The Federal Reserve publishes the data in aggregate form in the weekly H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*, which is followed closely by other government agencies, the banking industry, the financial press, and other users. This release provides a balance sheet for the banking industry as a whole and data disaggregated by its large domestic, small domestic, and foreign-related components.

The Federal Reserve proposes to make the following modifications to the FR 2416: 1) split other assets into two items, 2) split other liabilities into two items, and 3) combine three memoranda items breaking out U.S. Treasury securities. The Federal Reserve proposes to make the following modifications to the FR 2644: 1) split other loans secured by real estate into two items, 2) add an

item for net due from own foreign offices, and 3) add an item for net due to own foreign offices. The Federal Reserve proposes to make the following modifications to the FR 2069: 1) combine items for federal funds purchased with banks and other borrowed money owed to banks and 2) combine items for federal funds purchased with others and other borrowed money owed to others.

The annual reporting burden for the proposed FR 2416, FR 2644, and FR 2069 reports is estimated to be 111,758 hours. This is a 2 percent decrease from the current burden of 113,665 hours. Copies of the current reporting forms and instructions, marked to show the proposed revisions, are attached. The revised FR 2416, FR 2644, and FR 2069 reporting forms would be implemented as of June 2004, at which time the *Report of Certain Eurocurrency Transactions* (FR 2950 and FR 2951; OMB No. 7100-0087) would be discontinued.

Background and Justification

Weekly Report of Assets and Liabilities for Large Banks (FR 2416)

The FR 2416 has one of the longest histories among banking time series, beginning in 1917 when about 600 U.S.-chartered commercial banks began reporting weekly to inform those in charge of the war effort about changing monetary and credit conditions. Over the subsequent decades, the report has evolved to reflect changing needs for data to analyze loan and security portfolios, bank liquidity, deposit flows, liability management, and regional developments. Some items on the current weekly report reflect specialized data needs associated with the estimation of other series, such as bank credit and nondeposit funds.

Over time, the number of respondents has been reduced substantially as the concentration of banking assets has increased. Since the late 1970s, reporting panels have been selected during each triennial review to include a little more than 50 percent of total assets in U.S. offices of U.S.-chartered commercial banks.

The FR 2416 data have specific uses in estimating credit aggregates and in reconciling sources and uses of bank funds, which account for most of the detailed breakdowns of assets and liabilities. They provide basic data for constructing the large-bank components of the bank credit series, including considerable detail on securities holdings, trading activity, and loan components. These series are used in estimating the banking sector of the Flow of Funds Accounts and bank components of domestic nonfinancial debt. Data from the business loan components of the FR 2416 are important elements of estimates of short- and intermediate-term business credit, a series that is used in analysis of nonfinancial business credit. Some asset items included in the FR 2416 represent banking activities of a specialized nature, in which large banks are dominant, such as securities trading and lending to brokers and dealers. On the liability side of the balance sheet, deposit and borrowings items provide information on sources of bank funding. In addition to these uses of aggregate data, individual bank data from the FR 2416 also have been used in conjunction with data from other sources to monitor individual bank liquidity, funding strategies, and adjustments to such disturbances as adverse credit developments, deregulation, and technological change.

Because commercial banks play a pivotal role in the transmission of monetary policy, the Federal Reserve System requires high frequency data from which a balance sheet for the whole banking system can be constructed. The FR 2416 provides these data for large domestically

chartered commercial banks. Sufficient detail must be available to track the major components of bank credit and the broad outlines of bank funding.

The renewal of the FR 2416 in 1996 resulted in a net reduction of thirteen items. Other trading account securities and other trading account assets were combined into one item, and the existing maturity breakdown of U.S. government securities was moved to the memoranda section and applied only to non mortgage-backed securities. Three small components of loans were rolled into an expanded all other loans, and two memoranda items on loans sold were dropped. Thirteen items on deposits were replaced by two items: total transaction deposits and total nontransaction deposits. Three items were added to the FR 2416 as a result of changes to the Call Report to comply with two new accounting standards. The first new standard caused a substantial part of bank securities holdings outside trading accounts to be marked to market, and the second resulted in banks reporting separate values for revaluation gains and losses on off-balance-sheet contracts, rather than a single net figure. In addition, trading liabilities was added to maintain consistency with the Call Report. Items also were added to monitor banks' activities in the mortgage-backed securities and commercial real estate markets and to measure more accurately their nondeposit funding activities.

The renewal of the FR 2416 in 1999 resulted in a net addition of three items. To replace items that were previously reported on the discontinued monthly *Commercial Bank Survey of Consumer Credit* (FR 2571; OMB No. 7100-0080), "Loans to individuals for household, family, and other personal expenditures" was split into "Credit cards and related plans" and "Other," consistent with the Call Report. Corresponding items for loans that have been sold and securitized and that the reporting bank services were added to the memoranda section, in addition to a similar item for commercial and industrial loans.

At the last renewal of the FR 2416, a number of items were changed to conform with the March 31, 2001, and June 30, 2001, changes to the Call Report. In addition to these revisions, there was a minor redefinition of "Commercial real estate loans" to include loans secured by farmland.

Weekly Report of Selected Assets (FR 2644)

The FR 2644 is designed to obtain data representative of lending and investing activities of smaller banks, as well as information on their total assets and total borrowings. The Federal Reserve has collected data of this nature from smaller banks (with "smaller" defined as those banks that did not file the FR 2416) since January 1946. Until 1984, the panel comprised all smaller member banks, which reported at first on a monthly (last Wednesday) basis, then semi-monthly (mid and last Wednesdays of the month) beginning in 1959, and then weekly (as of Wednesday) beginning in 1969.

In 1979, a two-tier system of reporting was adopted for the smaller member bank universe: a stratified sample of 400 member banks reported nine items covering loans, securities, total assets, and large time deposits on the FR 2644s, and all other smaller member banks filed a condensed report, the FR 2644, containing only total security holdings, total loans, and total assets. Until 1984, each Reserve Bank compiled an aggregate balance sheet for banks in its own District, drawing data from the smaller member bank reports and from other surveys (including the weekly condition report collected from large banks and the quarterly Call Reports filed by all insured commercial banks),

and transmitted these District aggregates to the Board of Governors for use in compiling nationwide aggregates for all insured U.S. commercial banks.

The general framework for the current FR 2644 was established during the 1983 review of the series when it was determined that a sample approach would be used for national estimates of bank credit at small banks. A stratified sample of 1,100 banks, including nonmember banks for the first time, was chosen to file a single, revised report.

In 1985 it became apparent that the sample was underestimating growth in bank credit owing to new developments that were not captured in reports from the various weekly reporting panels. Several bank holding companies, usually affiliated with FR 2416 reporters, were establishing limited service institutions and transferring credit card, mortgage financing, or business loan operations from their FR 2416 banks to the new institutions. Such transfers had the effect of restraining growth reported by FR 2416 banks and, since most of the new institutions were not included in any weekly reporting panel, growth in the aggregate estimates was understated as well. At the same time, a number of thrifts were converted to commercial bank charters and were not represented in any reporting panel. To remedy these reporting biases, the Federal Reserve undertook an analysis of nonbank banks, thrift conversions, and rapidly growing banks and in 1985 asked twenty-seven non-randomly selected institutions to report on the FR 2644.

In the 1999 renewal, in parallel fashion to the FR 2416, the following changes were made to the FR 2644: item 4.d, Loans to individuals for household family, and other personal expenditures, was replaced with two new components: item 4.d(1), Credit cards and related plans (includes check credit and other revolving credit plans), and item 4.d(2), Other (includes single payment, installment and all student loans). Corresponding items for total amounts outstanding of loans that have been securitized and sold (with servicing retained) for Credit cards and related plans (new item M.3.a) and Other (new item M.3.b) were added to the memoranda section.

At the last renewal of the FR 2644, as in the case of the FR 2416, a number of items were changed to conform with the March 31, 2001, and June 30, 2001, changes to the Call Report.

Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks (FR 2069)

The Federal Reserve has collected balance sheet data from U.S. branches and agencies of foreign banks since November 1972, with the reporting frequency varying over the years. Until June 1980, all branches and agencies reported a detailed monthly balance sheet, enabling the Federal Reserve to monitor the branches and agencies in the U.S. banking system. In 1978, the Congress passed the International Banking Act, which led to increased regulation of U.S. branches and agencies. Recognizing the growing importance of these entities in the U.S. banking system, in 1979 the Federal Reserve broadened several statistical measures of banking activity to include these foreign-related institutions.

Weekly reports of a few major asset and liability items were obtained from a sample of branches and agencies in 1979 to provide for early estimates of bank credit and nondeposit funds in advance of the monthly universe balance sheet. With sample coverage varying from 30 to 50

percent of totals for these items, estimation errors were relatively large, but revisions could be made promptly as the monthly universe data became available.

However, when a quarterly report of condition for these institutions (FFIEC 002) was substituted for the monthly report in June 1980, the reporting panel for the weekly report (at that time the FR 2049) was expanded to achieve greater reliability of current estimates between benchmarks that were no longer monthly but quarterly. In July 1981, the current FR 2069 report replaced the FR 2049, providing a weekly summary balance sheet for the fifty largest branches and agencies. The FR 2069 was revised further in January 1986 to take account of revisions in the FFIEC 002, and about fifteen large branches and agencies were added to the reporting panel.

In both January 1989 and January 1992, relatively minor changes were made in data item coverage and definitions, and U.S. branches and agencies that had become quite large since that review were added to the panel in order to maintain adequate coverage.

The entire FR 2069 panel functions as a single sample for estimating the universe of branches and agencies. There is no stratification by size or by parent country. However, in the years preceding the 1995 renewal, the panel was over weighted towards Japanese branches and agencies. As a result, when growth at these institutions differed noticeably from that at non-Japanese branches and agencies, the resulting universe estimates were distorted. In October 1996, this problem was addressed with the addition of twenty large, non-Japanese institutions. As a result, the coverage of total assets at all U.S. branches and agencies rose from about two-thirds to about three-fourths.

In October 1996 and consistent with the approach taken for the FR 2416, three loan items were combined into one item "All other loans," and ownership detail for deposits was dropped. Two new items were necessitated by the addition to the Call Report of a separate item for trading account securities and the need to continue classifying banks' securities holdings between U.S. Government and Other. As with the FR 2416, an item for trading liabilities was added in order to be consistent with the branch and agency Call Report. Again consistent with the FR 2416, items were added to measure gross revaluation gains and gross revaluation losses on off-balance-sheet contracts.

Effective June 2000, a new memorandum item M.3 was added for the total amount outstanding of commercial and industrial loans that have been sold and securitized (with servicing retained). At the last renewal, the FR 2069 report was revised to be consistent with changes, eliminations and reductions in detail, to the FFIEC 002 effective as of June 30, 2001.

Description of Information Collection

The FR 2416 is a detailed, forty-six item balance sheet that covers domestic offices of large U.S.-chartered commercial banks. The FR 2644 collects twelve items on investments and loans plus total assets and five memoranda items, covering domestic offices of small U.S.-chartered commercial banks. The FR 2069 is a detailed, twenty-eight item balance sheet that covers large U.S. branches and agencies of foreign banks. The current forms and instructions for all three reports are shown on the Federal Reserve's website at www.federalreserve.gov/boarddocs/reportforms/.

Proposed Revisions to the FR 2416

Split items 6 and 12 into two items. The Federal Reserve proposes to split current item 6, “Other assets” into items 6.a, “Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs” and 6.b, “All other assets.” The Federal Reserve also proposes to split current item 12, “Other liabilities” into items 12.a, “Net due to own foreign offices, Edge and Agreement subsidiaries, and IBFs” and 12.b, “All other liabilities”.

The addition of net due from and net due to items to the FR 2416 and the FR 2644 will enable the elimination of the FR 2950 and FR 2951.¹ These two items are needed for analysis of how banks fund themselves and for the publication of the H.8 statistical release. The proposed new items would correspond to the comparable items on the FFIEC 031.

Combine M.2 items. The Federal Reserve proposes to combine all three maturity breakdowns of item M.2, “U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities) not held in trading accounts,” into one total item. In recent years, banks have acquired mortgage-backed securities at a much greater pace than Treasury securities and holdings of the former now exceeded the latter by a ratio of more than four to one. As a result, knowledge of the maturity distribution of Treasuries and agencies excluding mortgage-backed securities has become progressively less informative of banks’ exposure to interest rate changes. Advances in financial technology, that enables banks to hedge interest rate risk through interest rate swaps, have also diluted the usefulness of this maturity breakdown. The total is still needed to identify agency-related mortgage-backed securities published in the H.8.

Add E-mail address item to cover page. Add line item “E-mail address” so the bank may provide an additional way to contact the person to whom questions about this report should be directed.

Proposed Revisions to the FR 2644

Split item 4.a(2) into two items. The Federal Reserve proposes to split current item 4.a(2), “All others loans secured by real estate” into items 4.a(2), “Commercial real estate loans” and 4.a(3), “All others loans secured by real estate.” In the last several years, growth in commercial real estate lending at small banks has consistently outstripped this lending at large banks. As a result, the domestic bank share of commercial real estate loans held by small banks has risen from 55 percent as of December 31, 1996, to 63 percent as of March 31, 2003. Information on the split between commercial and residential real estate lending at small banks is currently only available from the Call Reports. Due to the major role of smaller banks in the commercial real estate market and the rapid growth of real estate lending overall, the Federal Reserve believes that more timely information is merited and is proposing to add an item to the FR 2644 that would split out commercial real estate, consistent with the FR 2416.

Add items M.4 and M.5. The Federal Reserve proposes to add item M.4, “Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs” and item M.5, “Net due to own

¹ See the final *Federal Register* notice for the FR 2950 and FR 2951 (68 FR 38339).

foreign offices, Edge and Agreement subsidiaries, and IBFs.” The justification for adding these items is covered above under the discussion of Proposed Revisions to the FR 2416.

Add E-mail address item to cover page. Add line item “E-mail address” so the bank may provide an additional way to contact the person to whom questions about this report should be directed.

Proposed Revisions to the FR 2069

Combine items 10.a(1) and 10.b(1) and combine items 10.a(2) and 10.b(2). The Federal Reserve proposes to combine items 10.a(1), “Borrowing: Federal funds purchased and securities sold under agreements to repurchase: With depository institutions in the U.S. (including U.S. branches and agencies of foreign banks)” and 10.b(1), “Borrowings: Other borrowed money: Owed to nonrelated commercial bank in the U.S.” into item 10.a, “Borrowings: From commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” The Federal Reserve also proposes to combine items 10.a(2), “Borrowing: Federal funds purchased and securities sold under agreements to repurchase: With others” and 10.b(2), “Borrowings: Other borrowed money: Owed to others” into item 10.b, “Borrowings: From others.” The breakdown of borrowings between federal funds purchased and other borrowed money is no longer needed for analysis or publication. This change in the FR 2069 would make it consistent with the FR 2416 and the FR 2644.

Add E-mail address item to cover page. Add line item “E-mail address” so the bank may provide an additional way to contact the person to whom questions about this report should be directed.

Instructions

Instructions and relationship tables would be revised and clarified in accordance with changes made to the reporting forms.

Reporting panel

The Federal Reserve proposes to keep the authorized size of the FR 2416 and the FR 2644 panels at their current levels, but to reduce the size of the FR 2069 panel in line with a substantial decrease in the actual panel size (reflecting the conversion of small branches to representative offices). There has been little reduction in the coverage.

Frequency

The Federal Reserve recommends that the FR 2416, FR 2644, and FR 2069 continue to be collected weekly, as of the close of business each Wednesday. Weekly data are needed for accurate and timely construction of the key series used to analyze current banking developments. The balance sheet series, both for large institutions and for the banking system as a whole, are constructed and published weekly. None of these series could be constructed on a sufficiently accurate or timely basis if the frequency of reporting was reduced, particularly in periods of volatility in banking and credit markets.

Time Schedule for Information Collection and Publication

Reserve Banks currently establish for their respondents schedules that enable the Reserve Banks to meet the Federal Reserve's processing schedule. Reserve Banks edit and transmit micro data from the FR 2416 and FR 2069 to the Board of Governors by 12:00 noon Eastern Time on the first Wednesday after the as-of date of the report. Data from the FR 2644 are currently transmitted by 11:00 p.m. Eastern time on the first Wednesday after the as-of date. Reporting is voluntary for all three reports.

Aggregate data from all three reporting forms are compiled at the Board of Governors early Thursday and Friday mornings for use in bank credit applications. On Friday afternoon, the H.8 release for the current as-of date (two Wednesdays prior) is published.

Legal Status

The Board's Legal Division has determined that the FR 2416 and FR 2644 are authorized by law 12 U.S.C. § 225(a) and § 248(a)(2) and that the FR 2069 is authorized by law 12 U.S.C. § 248(a)(2) and § 3105(a)(2) and all three reports are voluntary. Individual respondent data from all three reports are regarded as confidential under the Freedom of Information Act [5 U.S.C. § 552(b)(4)].

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Estimate of Respondent Burden

As presented in the table below, the current annual reporting burden for the three bank credit reports is estimated to be 113,665 hours. The proposed annual burden would be 111,758, a net decrease of 1,907 hours. The proposed total burden represents 2.4 percent of the total Federal Reserve System burden. The estimated average hours per response for the FR 2644 would increase due to the net addition of three items. However, two of these items would be reported by a fraction of the panel. The decrease in the number of respondents for the FR 2069 is due to a decrease in the authorized panel size. The estimated average hours per response for the FR 2069 would decrease due to the net deletion of two items. Also, if the changes are adopted as proposed, the annual burden of 20,248 hours associated with the FR 2950 and the FR 2951 would be eliminated.

	<i>Number of Respondents</i>	<i>Annual Frequency</i>	<i>Estimated Average Hours Per Response</i>	<i>Estimated Annual Burden Hours</i>
Current				
FR 2416	50	52	7.25	18,850
FR 2644	1,100	52	1.17	66,924
FR 2069	92	52	5.83	<u>27,891</u>
<i>Total</i>				113,665
Proposed				
FR 2416	50	52	7.25	18,850
FR 2644	1,100	52	1.28	73,216
FR 2069	70	52	5.41	<u>19,692</u>
<i>Total</i>				111,758
<i>Change</i>				(1,907)

Based on an hourly rate of \$20, the annual cost to the public is estimated to decrease from the current level of \$2,273,300 to \$2,235,160 for the revised bank credit reports.

Sensitive Questions

These reports contain 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 three bank credit reports is estimated to be \$984,940 per year, an increase of 1.4 percent from the current cost of \$971,780. The one-time cost to implement the revised reports is estimated to be \$49,830.

Attachments

- 1 - Proposed FR 2416 Reporting Form**
- 2 - Proposed FR 2416 Instructions**
- 3 - FR 2416 Usage Table**
- 4 - Proposed FR 2644 Reporting Form**
- 5 - Proposed FR 2644 Instructions**
- 6 - FR 2644 Usage Table**
- 7 - Proposed FR 2069 Reporting Form**
- 8 - Proposed FR 2069 Instructions**
- 9 - FR 2069 Usage Table**