

**Supporting Statement for the
Reports of Foreign Banking Organizations
(FR Y-7, FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to revise and extend for three years the Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0125). In addition, the Federal Reserve proposes to implement the following reports:

- the Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q; OMB No. 7100-0125),
- the Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations¹ (FR Y-7N; OMB No. 7100-0125), and
- the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations¹ (FR Y-7NS; OMB No. 7100-0125).

The FR Y-7 is an annual report filed by all foreign banking organizations (FBOs) that engage in banking in the United States, either directly or indirectly, to update their financial and organizational information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

The Federal Reserve proposes the following revisions to the current FR Y-7:

- Remove the risk-based capital reporting, Report Item 1.B., from the FR Y-7 report and require FBOs to report risk-based capital information on the new Capital and Asset Report for FBOs (FR Y-7Q).
- Remove the Nonbank Financial Information Summary (NFIS) report, which includes data from U.S. nonbank subsidiaries held directly by a foreign parent (i.e., not through a U.S. bank holding company (BHC) or financial holding company (FHC)), from the FR Y-7 and require these entities to file the new FR Y-7N or FR Y-7NS²;
- Update the eligibility requirements for qualifying foreign banking organizations (QFBOs) in accordance with recent revisions to Regulation K;
- Remove Report Items 6 and 7 from the report pertaining to Financial Statements of Unconsolidated Majority-Owned Related Subsidiaries and Financial Data on Unconsolidated Minority-Owned Related Companies, respectively;
- Provide other technical revisions to the FR Y-7 form and instructions to ensure consistency with other reporting forms, and reorder the sequence of the form to facilitate reporting.

¹ Excludes nonbanking subsidiaries held through a U.S. bank holding company or U.S. bank subsidiary.

² The proposed FR Y-7N and FR Y-7NS are being created consistent with revisions to nonbank report forms for U.S. bank holding companies, specifically the FR 2314 (OMB No. 7100-0073) and the FR Y-11I and FR Y-11Q (OMB No. 7100-0244).

The Federal Reserve proposes to implement the FR Y-7Q to collect regulatory capital information from all FBOs either quarterly or annually. FBOs that have effectively elected to become financial holding companies (FHCs) would be required to file the FR Y-7Q on a quarterly basis. All other FBOs (those that have not elected to become FHCs) would file the FR Y-7Q annually.

The new FR Y-7N and FR Y-7NS would collect nonbank financial information similar to information currently collected on the NFIS, but with the addition of some line items. In addition, information would be collected quarterly from those FR Y-7N reporters with significant asset size or complexity. The FR Y-7N would be collected annually from some of the remaining respondents (i.e., those not fulfilling the criteria for quarterly filing) on the current panel. Other, smaller respondents would file an abbreviated report form, the FR Y-7NS.

The proposed implementation date for all of these changes is December 31, 2002. The estimated annual burden associated with the current reports is 8,011 hours. The proposed revisions are expected to reduce the estimated annual burden to 5,330 hours.

Background and Justification

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a branch, agency or subsidiary commercial lending company, and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

Given these statutory responsibilities, the Federal Reserve issued two policy statements (one on February 23, 1979, and the other on July 20, 1979) on the supervision of FBOs that control a U.S. subsidiary bank, which stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parents' ability to continue to serve as a source of strength for their U.S. operations. On October 29, 1979, as part of its implementation of those policy statements, the Federal Reserve issued for public comment a proposed FR Y-7 form setting forth annual reporting requirements for FBOs engaged in banking in the United States. The current Y-7 form also collects information on nonbank companies of FBOs in the United States.

The Federal Reserve System uses information from these reports to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

Proposed Revisions

Report Item 1.B, Risk-based Capital, would be eliminated from the FR Y-7 annual report and the new FR Y-7Q report would be implemented to collect consolidated regulatory capital information from all FBOs either quarterly or annually. FBOs that have effectively elected to become FHCs would be required to report the FR Y-7Q on a quarterly basis. All other FBOs (those that have not elected to become FHCs) would report the FR Y-7Q annually.

Quarterly reporting on the FR Y-7Q by FBOs with FHC status would fulfill a requirement of Regulation Y, which was issued in December 2000. The new requirement in Regulation Y states that FBOs that qualify as FHCs must report capital information on an ongoing basis. Currently, domestic banks and BHCs that have elected to become FHCs are required to report regulatory capital information on a quarterly basis. Thus, the FR Y-7Q would permit consistency in the frequency in the reporting of regulatory capital information between domestic and foreign banking organizations that have elected to become FHCs.

FBOs that qualify as FHCs would be required to report on the FR Y-7Q capital and asset information of the top-tier FBO³, and separately report consolidated capital and asset information of each lower-tier FBO operating a branch, agency, Edge or Agreement corporation, or commercial lending company in the United States. Although the final rule only specifically addresses ongoing reporting of capital and asset information by certain entities within the structure of FBOs that qualify as FHCs, the Federal Reserve believes it is of critical supervisory importance to monitor the capital adequacy of the top-tier FBO of an organization and any of its respective lower-tier FBOs with operations in the United States. FBOs that have not elected to become FHCs would report capital and asset information annually on the FR Y-7Q, which is consistent with the information that was previously reported in the FR Y-7 annual report

Since the current NFIS is distinct from the other information collected in the current FR Y-7 report, the Federal Reserve believes it should be handled as all other nonbank data series with separate reporting forms. In terms of the content of its line items, the current NFIS reporting form contains significantly less information than other reporting forms filed by FBOs for their U.S. operations, and also reporting forms filed by U.S. BHCs for their nonbank activities, yet in many cases the activities of NFIS filers are just as risky and complex.

In addition, consistent with risk-focused supervision, the Federal Reserve believes that some current NFIS reporters should file quarterly due to their significant size or complexity. Finally, eliminating the option for consolidation of entities would improve the data collection and usage by supervisors, providing the ability to identify and quantify the impact of each subsidiary on the risk profile of the FBO's U.S. operations and of the parent institution. Notably, since a

³ This determination will be based primarily on whether the top-tier reporter provides capital ratio information to its home country authorities. For example, a top-tier entity that is an insurance company and does not provide capital ratio information to home country authorities will likely not have to provide capital and asset information on the FR Y-7Q; in this case, the next-highest tier that provides capital ratio information to home country authorities would likely be deemed the top-tier entity for capital and asset reporting on the FR Y-7Q.

significant portion of current filers would be exempt from reporting under the new proposal – due to their small asset size – the elimination of consolidation should not add material burden.

The instructions for determining QFBO status on the FR Y-7 would be updated to be consistent with Regulation K revisions effective November 2001. Regulation K implements statutory exemption to the BHC Act for certain activities of foreign banks. These exemptions are available to QFBOs and item 5 on the current FR Y-7 allows the Federal Reserve to verify that an FBO is eligible for the exemptions. The revisions to the regulation implemented a modified test to allow additional FBOs to qualify for exemptions. Therefore, item 5 of the FR Y-7 would be revised to accommodate the modified test. Report Items 6 and 7 of the FR Y-7 would be removed since the information previously collected in those items is either no longer needed or can be collected from other sources.

Description of Information Collection

Current Reporting Requirements

The FR Y-7 is an annual report required by foreign companies that are directly or indirectly engaged in the business of banking in the United States as of the end of the reporter's fiscal year.⁴ The FR Y-7 consists of Financial and Managerial Information (Report Items 1–7).

- Report Items 1, 3 and 4 require FBOs to submit financial and managerial information that would enable the Federal Reserve System to assess their ability to be a continuing source of strength and support to their U.S. banking operations.
- Report Item 2, the FR Y-7 NFIS, is collected from each active U.S. nonbank subsidiary held directly by an FBO other than through a U.S. BHC or bank. The report collects asset and liabilities information, off-balance-sheet items, income and expenses, and four supporting schedules.
- Report Item 5 requests information for determining the eligibility as a QFBO.
- Report Items 6 and 7 request publicly available financial statements of unconsolidated majority-owned related subsidiaries and financial data on unconsolidated minority-owned related companies, respectively.

Proposed Reporting Requirements

The proposed changes to the FR Y-7 and a description of the proposed new reports (FR Y-7Q, FR Y-7N, and FR Y-7NS) are discussed in detail below.

FR Y-7

The Federal Reserve proposes the following revisions to conform to changes in regulations, facilitate the use of the data collected, reduce burden on reporters, and lower system

⁴ Under the International Banking Act of 1978, banks organized under the laws of Puerto Rico and other American possessions are generally not required to file the FR Y-7. Such banks are insured by the FDIC and examined by U.S. supervisory agencies.

costs. In addition the Federal Reserve proposes to make technical changes to the FR Y-7, including an update of the glossary.

Order of the report: The reporting form and instructions would be reorganized. The new format shown below would reduce the amount of pages filed.

Form:

- Cover Page, Pages COV-2 and COV-3
- Checklist (CKLST)
- Report Items 1 through 4

Instructions:

- General Instructions
- Glossary

E-mail Address: The contact person's e-mail address would be added to the cover page of the report form.

Checklist: The checklist would be updated to reflect the proposed revisions.

Current Report Item 1, Financial Information: Report Item 1B, Risk-Based Capital, would be eliminated, and this information would be reported either quarterly or annually on the new FR Y-7Q report (see below for additional details on the new report).

Current Report Item 2, Financial Information on U.S. Nonbank Subsidiaries: This report item would be eliminated from the FR Y-7 and new reporting forms would be created, specifically the FR Y-7N and FR Y-7NS (see below for additional details on the new report forms).

Current Report Item 5, Eligibility as Qualified Foreign Banking Organization: This item would be revised to add a modified test for determining QFBO eligibility consistent with Regulation K revisions effective November 2001 (see Attachment A).

Current Report Items 6 and 7, Financial Statements of Unconsolidated Majority Owned Related Subsidiaries and Financial Data on Unconsolidated Minority Owned Related Companies, respectively: These items would be deleted as they are no longer needed or can be obtained from other sources.

Glossary: Duplicative and outdated glossary entries would be revised.

FR Y-7Q

The FR Y-7Q would collect consolidated capital and asset information from all FBOs. FBOs that have not elected to become FHCs would report capital information for the top-tier FBO on the FR Y-7Q report annually (see footnote 3). The report would collect tier 1 capital, total risk-based capital, risk-weighted assets, and total assets. FBOs that have been granted

FHC status would file the FR Y-7Q quarterly. In addition, FBOs that file quarterly because of the FHC designation would also have to provide separate capital schedules for each lower-tier FBO operating a branch, agency, Edge or Agreement Corporation, or commercial lending company in the United States.

FR Y-7N and FR Y-7NS (former NFIS report)

Since the current NFIS is distinct from the other information collected in the current FR Y-7 report, the Federal Reserve believes it should be handled on separate reporting forms as all other nonbank data. In terms of the content of its line items, the current NFIS reporting form contains significantly less information than other reporting forms filed by FBOs for their U.S. operations, and also reporting forms filed by U.S. BHCs for their nonbank activities, yet in many cases the activities of NFIS filers are just as risky and complex.

Proposed Thresholds

FBOs would file the FR Y-7N quarterly for their significant nonbank subsidiaries. Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of at least \$5 billion, as of the end of a quarter. FBOs would commence quarterly reporting for these subsidiaries at the end of the quarter in which the subsidiaries met the significance threshold. Once a subsidiary meets the quarterly reporting threshold during the calendar year, the FBO would continue to report the FR Y-7N quarterly for the calendar year even if the subsidiary diminishes in size and no longer meets the threshold at some future quarter during the calendar year. Data for year-end 2000 (the most recent available for the full panel) indicate that approximately 129 of 1,177 current NFIS reporters (11 percent, by number) would fulfill the quarterly requirements. The \$1.2 trillion in assets held by these proposed quarterly reporters would represent over 93 percent of the \$1.3 trillion in assets of the current NFIS reporters.

For nonbank subsidiaries not fulfilling the quarterly criteria and with assets between \$250 million and \$1 billion, FBOs would file the FR Y-7N annually.⁵ These annual reports would be filed for the twelve months ending December 31st of each calendar year. About 96 (8.2 percent, by number) of the current NFIS filers would meet the criteria for filing annually, representing \$54 billion (or 4.1 percent) of total assets held by current NFIS filers.

FBOs would file the FR Y-7NS, an abbreviated form with only four line items, annually for any nonbank subsidiaries that do not meet the quarterly criteria and have assets between \$50 million and \$250 million. The 164 nonbank subsidiaries that would meet this criteria account for 14 percent of current NFIS filers, and their \$20 billion in assets would represent 1.6 percent of total NFIS assets. The Federal Reserve believes it is important to capture basic information on these subsidiaries, since the four items to be collected serve as good indicators of higher business

⁵ The Federal Reserve may require certain nonbank subsidiaries to file quarterly if they have significant risk exposures.

volume, risk, and/or complexity in small-sized subsidiaries. Even though the aggregate assets of these subsidiaries are not large (as a percentage of total NFIS assets), they account for a significant amount (14 percent) of reporters by number and, in a number of cases, can help to identify potential risk areas in nonbank activities. The Federal Reserve needs to continue to review minimum financial data from these entities in order to monitor potential developments that may pose risks to the U.S. operations of the FBO.

FBOs would be exempt from reporting data for any nonbank subsidiary not meeting the quarterly reporting criteria and with assets below \$50 million. The 788 entities that would be exempt from reporting represent 67 percent of current NFIS filers by number, and have only \$6 billion in assets (0.5 percent of total NFIS assets).

Consolidation

In a change from current NFIS reporting, consolidation of reporters would not be permitted on the Y-7N and the Y-7NS. Legal entity data allows supervisors to identify issues more efficiently and effectively, and consolidated data is not as useful because filers consolidate reports inconsistently. However, since a majority of reporters in the current panel would be exempt from reporting altogether, the removal of the consolidation option should not pose a material burden on reporters.

Functional Regulation and Merchant Banking Investments

Functionally regulated subsidiaries and merchant banking investments would be added to the list of subsidiaries that are exempt from reporting on the FR Y-7N. Provisions of the Gramm-Leach-Bliley Act direct that the Federal Reserve must first rely on reports and information provided by the primary functional regulators for functionally regulated subsidiaries.

Specific Line Item Changes

The differences between the existing NFIS reporting requirements and those for the new FR Y-7N report is described below. The proposed new items have proven to be significant components on other nonbank reports and useful to supervisors, in particular because proposed Y-7N filers engage in similar activities as filers of other nonbank report forms. Also, the proposed FR Y-7NS report is described below.

Proposed FR Y-7N

Income Statement (Schedule IS). The following changes would be made to the items currently collected on the NFIS.

- Add five items to collect additional information on noninterest income from nonrelated organizations: “Service charges on deposit accounts,” “Trading revenue,” “Net servicing fees,” “Venture capital revenue,” and “net securitization income.” Modify and expand the current item “Income from underwriting activities” as noninterest income from “Investment

banking, advisory, brokerage, and underwriting fees and commissions,” and modify the current item “Other commissions, fees, etc” as “Insurance commissions and fees.” These additional items are needed because noninterest income as a percentage of total revenues has grown in recent years for U.S. operations of U.S BHCs and FBOs. Due to the increased importance of and additional complexity in noninterest income, a more detailed breakdown is required, and these categories were chosen as the best indicators. Delete item on “Net gain(loss) on foreign exchange transactions.”

- Add two items to collect additional information on noninterest expense: “Pertaining to nonrelated organizations” and “Pertaining to related organizations.” This breakdown is consistent with collection of noninterest expense on other nonbank report forms.
- Add four items breakout components in determination of net income: “Income(loss) before extraordinary items and other adjustments,” “Applicable income taxes (benefits) (estimated),” “Extraordinary items, net of applicable income taxes,” “Equity in undistributed income (loss) of subsidiary(s).” This breakdown is consistent with items necessary for the determination of net income on other nonbank report forms.

Changes in Equity Capital (Schedule IS-A). Add a new item to collect information on “Other comprehensive income,” defined to include changes in net unrealized holding gains (losses) on available-for-sale securities, changes in accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and changes in minimum pension liability adjustments. This breakdown is consistent with collection of equity capital information on other nonbank report forms. In addition, it would conform the presentation of the equity capital section to Financial Accounting Standards Board Statement No. 130, *Reporting Comprehensive Income*.

Changes in Allowances for Loan and Lease Losses (Schedule IS-B). Move six items to collect the components of the allowance for loan and lease losses (ALLL) for the calendar year-to-date period to Schedule IS-B: (1) ALLL balance as of the end of the previous calendar year, (2) recoveries, (3) charge-offs, (4) provision for loan and lease losses, (5) adjustments, and, (6) ALLL balance of the end of the reporting period. Note that these items would collect information for the calendar year, not for the fiscal year, as in the past.

Balance Sheet (Schedule BS). The following changes would be made to the balance sheet. These breakdowns are consistent with collection of information on other nonbank reporting forms.

- Add five asset items: “Cash and balances due from depository institutions,” “Premises and fixed assets (including capitalized leases),” “Other real estate owned,” “All other assets,” “Claims on nonrelated organizations.” Also break out the existing item “Securities” into separate items for “Held-to-maturity securities” and “Available-for-sale securities.” Combine the items “Stock and other equity interests in related organizations” and “Other balances” in related organizations into a single item for “Balances with related institutions, gross.”

- Add two liability items: “Trading liabilities” and “Liabilities to nonrelated organizations” and a total for “Total liabilities.”
- Add five equity capital items: “Stock,” “Surplus (exclude all surplus related to preferred stock),” “Retained earnings,” “Accumulated other comprehensive income,” “Other equity capital components” (defined to include treasury stock and unearned Employee Stock Ownership Plan shares) and a total for “Total liabilities and equity capital.”
- Delete items 12 and 13 on the current reporting form that request information on consolidated reporting.

Off-balance-sheet Items (Schedule BS). Break out several existing items into components: “Unused commitments on securities underwriting, loans and all other” would be split into separate items for “Unused commitments on securities underwriting” and “Unused commitments on loans and all other unused commitments,” “Option contracts, written and purchased” would be split into separate items for “Written option contracts” and “Purchased option contracts,” and “Notional value of interest rate, cross currency, exchange, and other swaps” would be split into separate items for “Notional value of interest rate swaps,” “Notional value of exchange swaps,” and “Notional value of other swaps.” Combine the items “All other off-balance-sheet liabilities: nonrelated organizations” and “All other off-balance-sheet liabilities: related organizations” into a single line item for “All other off-balance-sheet liabilities.” This breakdown is consistent with collection of off-balance-sheet information on other nonbank report forms. In addition, some proposed filers of the FR Y-7N have shown to be very active in off-balance-sheet activities, with sizable positions. It is important to collect this additional detail to monitor the risk profile of these nonbank subsidiaries. Delete the item for “Total off-balance sheet items.”

Loan and Lease Financing Receivables (Schedule BS-A). Combine elements of existing Schedules A and C currently completed by NFIS reporters. Restructured loans in leases that are not past due or not in nonaccrual status would no longer be reported. Also, lease financing receivables and unearned income would no longer be reported. All past due and nonaccrual loan information would no longer be considered confidential information.

Memoranda (Schedule BS-M). Add several memoranda items: “Loans to non-U.S. addressees,” “Accrued interest receivable,” “Prepaid expenses,” “Net deferred tax assets,” “Accounts receivable,” “Intangible assets,” “Commercial paper issued,” “Expenses accrued and unpaid,” “Net deferred tax liability,” “Accounts payable.” Also modify and break out existing items into components as memoranda items: “Claims on related organizations” would be retitled and split into “Balances due from related institutions located in the United States, gross” and “Balances due from related institutions located outside the United States, gross;” “Other liabilities to related organizations” would be retitled and split into “Balances due to related institutions located in the United States, gross” and “Balances due to related institutions located outside the United States, gross.” These items are consistent with collection of information on other nonbank report forms. In addition, the collection of balances due from and balances due to

related organizations by geographic area is of particular interest to supervisors as they determine the combined positions and risk profile of an FBO's operations within the United States.

Proposed FR Y-7NS

The line items on the FR Y-7NS would be "net income," "total assets," "total equity capital," and "total off-balance-sheet items." These are items currently collected on the NFIS. The reporters that meet the requirements for filing this report would experience a significant reduction in their filing requirements. The Federal Reserve believes that these four financial items are essential to supervisory needs and represents the minimum amount of information to monitor the financial condition of the smaller, less significant, nonbank subsidiaries.

Time Schedule for Information Collection

All FBOs currently file the FR Y-7 annually as of the end of the FBO's fiscal year; the data are due not later than four months after the as-of-date. There are no proposed changes to this filing schedule. As noted above, FBOs would be required to file the new FR Y-7N for certain significant nonbank subsidiaries on a quarterly basis. FBOs would file for certain of their nonbank subsidiaries the FR Y-7N annually, and others on the FR Y-7NS annually. The reporting on the FR Y-7N and FR Y-7NS would be based on the U.S. calendar year. The FR Y-7N and FR Y-7NS would be due sixty days after the as-of-date.⁶ Also, as noted above, all FBOs, both quarterly and annual filers, would have to file the FR Y-7Q ninety days after the as-of date.⁷

Data from these reports would not be published, but non-confidential data would be available to the public upon request. Reporting is mandatory.

Legal Status

The Board's Legal Division determined that the following statutes authorize the Federal Reserve to require the FR Y-7, FR Y-7N, FR Y-7NS, and FR Y-7Q: 12 U.S.C. §§601-604a, 611-631, 1844(c), 3106, and 3108(a). The Board's Legal Division also determined that the data reported on the FR Y-7, FR Y-7N, and FR Y-7NS reports are not considered confidential. However, the Legal Division has determined that FR Y-7Q data will not be publicly released until 120 days after the as-of date. Also, individual respondents may request confidential treatment for any of these reports pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)]. Section (b)(4) provides exemption for "trade secrets and commercial or financial information obtained from a person as privileged or confidential." Section (b)(6) provides exemption for "personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."

⁶ The year-end 2002 data for these reports would not be due until 180 days after the as-of date. Quarterly reporting would be waived for the March 31, 2003, as-of date. For the remaining quarters in 2003, quarterly reports would be due 75 days after the as-of date. Beginning in March 2004, these reports would be due 60 days after the as-of date.

⁷ The year-end 2002 data for this report would not be due until 180 days after the as-of date. Quarterly reporting would be waived for the March 31, 2003, as-of date. Commencing with the June 30, 2003 as-of date, the report would be due 90 days after the as-of date.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

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

Estimate of Respondent Burden

The following table shows the current estimated annual burden for the FR Y-7 and NFIS to be 8,011 hours. The proposed estimated annual burden for the FR Y-7, FR Y-7N, and FR Y-7NS is 4,899 hours, a net decrease of 3,112 hours. Most of the reduction can be attributed to removing the NFIS from the FR Y-7 and implementing the new FR Y-7N and FR Y-7NS. Due to the proposed thresholds for these reports, most respondents would file significantly less information and some would be exempt from reporting altogether. The reduction in burden associated with these changes should more than offset the minor increase in burden associated with (1) some respondents filing quarterly instead of annually and (2) the elimination of the option to file consolidated reports.

As a result of the additional line items that are proposed, the hourly estimate for the FR Y-7N (formerly NFIS) would increase by approximately 1 hour. With respect to the rest of the FR Y-7, because of the elimination of the capital information, changes to the QFBO test, and the elimination of items 6 and 7, the hourly burden estimate is expected to decrease from 6.5 to 3.25 hours, on net.

However, the proposed FR Y-7Q (both quarterly and annual filers) is estimated to result in an additional 431 burden hours annually. This would result in a total annual burden for the proposed reports of 5,330.

	<i>Number of Respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current FR Y-7 (without NFIS)	327	1	6.5	2,126
Current NFIS	1177	1	5	<u>5,885</u>
<i>Total</i>				8,011
Proposed FR Y-7	327	1	3.25	1,063
Proposed FR Y-7N (quarterly)	129	4	6	3,096
Proposed FR Y-7N (annual)	96	1	6	576
Proposed FR Y-7NS	164	1	1	<u>164</u>
<i>Total</i>				4,899
<i>Change</i>				-3,112
Proposed FR Y-7Q (annual)	301	1	1	301
Proposed FR Y-7Q (quarterly)	26	4	1.25	<u>130</u>
<i>Total</i>				431
Total for proposed forms				<u>5,330</u>

Based on an hourly cost of \$20, the estimated annual cost to the public would decrease from \$160,220 to \$106,600 a decrease of \$53,620 or about 33 percent.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR Y-7 is \$1,186,998.