

**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 (the Board) proposes to revise the filing method and to extend for three years the Country Exposure Information Report (FFIEC 009a; OMB No. 7100-0035) and the Country Exposure Report (FFIEC 009; OMB No. 7100-0035). Both reports are scheduled to expire in April 30, 2003.

The Country Exposure Report is submitted by state member banks and bank holding companies that have (1) a foreign office, an International Banking Facility (IBF), a foreign subsidiary, or an Edge or agreement subsidiary and (2) at least \$30 million in claims on residents of foreign countries. The Country Exposure Report collects information on international claims held by U. S. banks and bank holding companies; the information is used for supervisory purposes to monitor a banks country exposure and degree of risk in their portfolios. The Country Exposure Information Report is a supplement to the FFIEC 009 report that provides public disclosure of 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. In addition, each FFIEC 009a respondent furnishes a list of the countries in which exposures are between .75 percent and 1 percent of total assets or between 15 and 20 percent of primary capital, whichever is less.

The reporting and disclosure provisions of the International Lending Supervision Act of 1983 (Act) authorize the Federal Reserve to require these reports. The Federal Financial Institutions Examination Council (FFIEC) mandates both reports, and the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) 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.

The Board proposes to require electronic submission of all FFIEC 009 and 009a reports effective with the March 31, 2003, report date. The Board would no longer accept paper (hard copy) reports from banks and bank holding companies after the December 31, 2002, report date. The submission deadline would remain 45 calendar days after the report date. No changes are proposed to the FFIEC 009 reporting forms or the FFIEC 009a reporting forms.

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 Bank for International Settlements (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 FIEC 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 .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.

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 the claims on foreign residents by sector (that is, on banks, public borrowers and all other borrowers), on the remaining maturity of the claims (four categories), commercial letters of credit, standby letters of credit and risk participations purchased, and all other commitments. If the claim on a foreign resident has been guaranteed, then the amount of the guaranteed claim is redistributed to the country and section of the guarantor.

¹Country 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 Country Exposure Information Report 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 .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 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 Change in Submission Method

The Board, the OCC, and the FDIC (the "agencies") propose to require electronic submission of the FFIEC 009 and 009a reports as part of an ongoing effort to improve data quality and the efficiency of the data collection process. Over the past five years, the agencies have implemented an electronic submission requirement for bank Reports of Condition and Income (Call Reports) and have realized efficiencies in the collection process with minimal increase in burden to reporting institutions. In addition, the agencies have allowed foreign banks to electronically submit the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of Non-U.S. Branches that are Managed or Controlled by a U.S. Branch or Agency of a Foreign Bank (FFIEC 002s), which has improved the efficiency of the collection process for those reports. The agencies believe that requiring electronic submission of FFIEC 009 and 009a reports can result in similar benefits.

The agencies propose to have the Board collect and process the FFIEC 009 and 009a reports on their behalf via the Federal Reserve System's Internet Electronic Submission (IESUB) system. The Board, which collects and processes the FFIEC 002 and 002s for the three agencies, currently allows foreign banks to submit these reports via IESUB. Electronic filing capability via IESUB is available on the Internet through the use of data entry or a file transfer feature. These methods are secure and result in a minimal burden to banks and bank holding companies. Reporting institutions must enroll and be authenticated before IESUB will accept a report submission.

The file transfer feature allows institutions to submit reports over the Internet in a pre-defined file format. The files can be created from a spreadsheet (e.g., Microsoft Excel ©, Lotus 123 ©) or any other back-end system that a reporting institution uses to generate its data. When an institution submits its FFIEC 009 and 009a reports either through data entry or a pre-defined file format, IESUB will check the validity of the data and provide the institution with a receipt containing the data submitted and the date and time that IESUB received the file. A complete description of IESUB, including the system requirements, security and file transfer features is available at the Federal Reserve System reporting website <http://www.reportingandreserves.org/req.html>.

The agencies believe that this revision would not be a significant burden to banks or bank holding companies because of advancements in, and the common use of, computer technology currently available for the filing of regulatory reports.

Time Schedule for Information Collection and Publication

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. Each banking supervisory agency receives the data from the banks that it supervises. The Federal Reserve is responsible for editing the data and compiling the data on behalf of all three banking agencies.

The Federal Reserve publishes aggregate data from the FFIEC 009 quarterly in the E.16 statistical release, "Country Exposure Lending Survey." In addition, the Federal Reserve makes the aggregate data available to the BIS. The BIS then issues statistical data on the overall indebtedness of various countries in several publications providing compilations of worldwide banking data. Data from the FFIEC 009a report are not published, but the banking agencies make information from individual institutions available to the public upon request.

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)]. Individual respondent information on the FFIEC 009a report is available to the public upon request.

Sensitive Questions

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

Consultation Outside The Agency

Federal Reserve staff has consulted with representatives of the OCC and the FDIC, and the three agencies have agreed to propose these revisions and to proceed with this request for OMB approval.

Estimate of Respondent Burden

The annual reporting burden associated with the current FFIEC 009 is estimated to require an average of 30 hours per response, for a total burden of 3,720 hours annually. The annual 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.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FFIEC 009	31	4	30	3,720
FFIEC 009a	16	4	5.25	336
Total				4,056

Based on an hourly rate of \$20, it is estimated that the combined annual cost to the public for the FFIEC 009 and the FFIEC 009a would be \$81,120.

Estimate of Cost to the Federal Reserve System

The annual costs to the Federal Reserve for collecting and processing the FFIEC 009 and FFIEC 009a reports are estimated to be \$150,000 annually.