

## **Supporting Statement for the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223)**

### **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, without revision, the Senior Financial Officer Survey (FR 2023; OMB No. 7100-0223). This voluntary survey requests qualitative and limited quantitative information about liability management, the provision of financial services, and the functioning of key financial markets from a selection of sixty large commercial banks (or, if appropriate, from other depository institutions or major financial market participants). Responses are obtained from a senior officer at each participating institution through a telephone interview. The survey is conducted up to four times per year, although in recent years it has been conducted less frequently, on a flexible schedule when major informational needs arise and cannot be met from existing data sources. The annual burden is estimated to be 240 hours. The survey does not have a fixed set of questions; each survey consists of a limited number of questions directed at topics of timely interest.

### **Background and Justification**

The Federal Reserve uses the Senior Financial Officer Survey to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management practices. The survey helps pinpoint developing trends in bank funding practices, enabling the Federal Reserve to distinguish these trends from transitory phenomena. It also complements other deposit reports that, by themselves, provide little insight into the causes of the changing behavior of deposit holders and depository institutions. Moreover, the survey has given the Federal Reserve the opportunity to follow periodic developments in financial markets related to extraordinary events that are beyond the scope of other reports.

In February 1994, a survey requested information about the availability and profitability of providing brokerage services to retail customers and the provision of non-brokerage services to mutual funds. This survey found evidence that large banks were continuing to expand their retail brokerage programs and helped quantify the importance of these activities for bank profitability. Another survey conducted in December 1994 focused on bank funding practices. Results from this survey helped identify factors that explained banks' increased reliance on managed liabilities to fund domestic credit. In May 1996, a survey was designed and conducted to investigate bank reserve management practices in order to increase understanding of how banks might operate with low required reserve balances. Information from this survey assisted in the smooth implementation of monetary policy as sweep accounts drove down the level of required operating balances. A survey conducted in May 1998 was designed to gauge the effect on banks' reserve management of the imposition of a charge on banks that overdraw their accounts at the Federal Reserve during the course of the day (the so-called "daylight overdraft fee") and the expansion of

the operating hours of the fedwire system. The survey documented the tendency of banks to concentrate delivery of federal funds later in the day, potentially in response to changes in the Federal Reserve's intra day credit policy. This survey also confirmed previous anecdotal evidence that banks used the extension of fedwire operating hours to transfer funds linked not only to international transactions, which was expected, but also to domestic transactions.

As illustrated by these examples, the Senior Financial Officer Survey has assisted the Federal Reserve in its assessment of bank behavior and financial market conditions by improving knowledge of institutional arrangements and by permitting prompt inquiries in response to unusual circumstances. Information collected through the survey has contributed to the formulation of monetary policy.

### **Description of Information Collection**

Both the frequency and the content of the Senior Financial Officer Survey have been, and will continue to be, determined by future exigencies. Hence it is difficult for the Federal Reserve to stipulate the exact nature, type, or timing of future surveys. In the past, surveys have been conducted at irregular intervals and have included both qualitative and quantitative questions. The Federal Reserve recommends no change in the frequency of this report.

The primary panel of respondents, identical to the U.S. commercial bank subset of respondents for the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058), comprises sixty large domestically chartered commercial banks, distributed as evenly as possible across Federal Reserve districts.<sup>1</sup> The assets of these banks as of September 30, 2002, totaled \$3.5 trillion, or roughly 60 percent of the assets of all domestically chartered, federally insured commercial banks. The overlap between the reporting panels of these surveys aids the Federal Reserve in interpreting the data received.

Although the primary panel of respondents has been, and will likely continue to be, appropriate for most survey topics, panels based on alternative criteria may be more appropriate and efficient for some situations. Consequently, the option would continue to be available to survey other depository institutions or major participants in financial markets. This option greatly enhances the potential scope and utility of the survey.

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<sup>1</sup>The FR 2018 reporting panel also has a subset of large U.S. branches and agencies of foreign banks. It would not be worthwhile to add these institutions on a routine basis to the primary FR 2023 panel because most of their funding operations are in the wholesale, not retail, market or in their home countries. However, should the need arise, U.S. branches and agencies could be surveyed as an optional panel.

### **Time Schedule for Information Collection and Publication**

The survey may be conducted up to four times per year, generally prior to selected Federal Open Market Committee (FOMC) meetings. Recently, the survey has been conducted much less frequently: since 1995, only two surveys have been conducted (one in May 1996, the other in May 1998).<sup>2</sup> To the extent possible, the Federal Reserve notifies respondents in advance as to the topic(s) to be covered in an impending survey. In extraordinary circumstances, when such notice is not possible, the decision to waive this advance notice provision would be made only by Federal Reserve Board officials. Responses are collected through a telephone interview with a senior officer at each respondent either by a Reserve Bank officer or senior-level staff member who has expertise in the area of bank liability management, or by a Board staff member, as appropriate.

Survey responses are tabulated, summarized, and forwarded to Reserve Banks for distribution to respondents and also are available to other members of the public.

### **Legal Status**

The Board's Legal Division has determined that the survey is authorized by law [12 U.S.C. §§225a, 248(a), and 263] and is voluntary. It has been anticipated that most, if not all, of the information to be collected on the FR 2023 would be exempt from disclosure under subsection (b)(4) of the Freedom of Information Act [5 U.S.C. §552 (b)(4)]. However, it also is possible that some information that might be collected on this survey may not be exempt, depending on the specific questions to be asked. Thus, the confidentiality status of the survey has been determined on a case-by-case basis, when the specific questions to be asked on each particular survey have been formulated but before respondents were contacted. Then, each time the survey was conducted, respondents were informed of the confidentiality status of that particular survey.

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **Estimate of Respondent Burden**

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<sup>2</sup>There were no mitigating circumstances requiring additional surveys. Such circumstances could arise in the future, however, and in order to maintain the Federal Reserve's ability to keep abreast of important market developments, the authority to conduct up to four surveys a year is considered essential.

As shown below, total respondent burden for the FR 2023 survey is estimated to be a maximum of 240 hours annually, based on four surveys per year and an average response time of one hour.<sup>3</sup> This represents less than 1 percent of total Federal Reserve System burden.

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	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2023	60	4	1.0	240

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Based on the rate of \$50 per hour, the annual cost to the public for this report is estimated to be \$12,000.

### **Sensitive Questions**

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

### **Estimate of Cost to the Federal Reserve System**

The cost to the Federal Reserve System for processing this report is negligible.

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<sup>3</sup>Actual burden underlying the average one-hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.