

**Supporting Statement for the
Selected Balance Sheet Items for Discount Window Borrowers
(FR 2046; OMB No. 7100-0289)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Selected Balance Sheet Items for Discount Window Borrowers (FR 2046; OMB No. 7100-0289). The Board's Regulation A - Extensions of Credit by Federal Reserve Banks (12 CFR Part 201) requires that Reserve Banks review balance sheet data in determining whether to extend credit and to help ascertain whether undue use is made of such credit. Balance sheet data are collected on the FR 2046 report from certain institutions that borrow from the discount window in order to monitor discount window borrowing.

The current estimated total annual burden for the FR 2046 is 90 hours. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

Background and Justification

The Board's Regulation A establishes rules under which Federal Reserve Banks may extend credit to depository institutions and defines three basic lending programs: primary credit, secondary credit, and seasonal credit. The FR 2046 is only mandatory when requested by a Reserve Bank and a Reserve Bank may request that the FR 2046 be provided in connection with any of the three lending programs. Primary credit is designed as a back-up funding source to assist depository institutions in meeting very short-term needs (usually overnight). Secondary credit is designed as a back-up funding source for depository institutions that do not qualify for primary credit. Such credit may be provided to meet temporary funding needs of an institution if such a credit extension would be consistent with the institution's timely return to a reliance on market funding sources, or if such credit would facilitate the orderly resolution of serious financial difficulties of the borrowing institution. Seasonal credit is designed to assist smaller institutions in meeting longer-term funding needs arising from regular intra-year patterns in deposits and loans. Regulation A requires that Reserve Banks ensure that the borrower's funding need is truly seasonal in nature and that it will persist for at least four weeks.¹ Seasonal credit is provided at an interest rate that is based on market rates.

There are cases in which discount window borrowing might be considered inappropriate and inconsistent with the Board's Regulation A. For example, using the primary or secondary credit programs as a primary funding source, or using seasonal credit to meet a non-seasonal funding need, would be considered inappropriate. To guard against such situations, Regulation A (12 CFR 201.3(c)(2)-(3)) requires Reserve Banks to consider the balance sheet information of borrowers in determining whether to extend credit and to ensure that any credit provided is used for an appropriate purpose. In 1998, the Subcommittee on Credit, Reserves, and Risk Management (SCRRM) requested standardized data reporting for discount window monitoring

¹ 12 CFR 201.4(c)(1).

as part of its broader effort to promote greater uniformity across the Federal Reserve System in the administration of the discount window.² There had been considerable variation across the twelve Federal Reserve Districts in the specific data elements collected, in the time periods for which data were requested, and in the formats in which data were reported. The implementation of the FR 2046 report standardized these aspects of data collection across Reserve Banks and, in many cases, reduced reporting burden relative to that under the previous data reporting procedures. The FR 2046 report and instructions have undergone a number of revisions since 1998.³

In practice, the FR 2046 report is primarily used to assess appropriate use of seasonal credit. Although seasonal credit is provided at a market-related rate, borrowers may still find the rate charged on seasonal credit attractive relative to the rates they would be charged for comparable credit arrangements from market sources. Therefore, while borrowing at the discount window, seasonal borrowers must agree to limit their net federal funds sales to an amount consistent with their usual operating pattern.⁴ The information obtained on federal funds sold and purchased on the FR 2046 is used by discount officers to assess whether a seasonal borrower's position in the federal funds market is consistent with normal operations.

Similarly, information on a seasonal borrower's total assets, loans, securities and deposits is used to monitor whether seasonal credit loans are being used for the program's intended purpose. Total loans and total deposits are used in monitoring a seasonal credit borrower's net funds availability (defined as total deposits less total loans) during the period of borrowing. Historical data on net funds availability is a key variable used in establishing an institution's seasonal credit line. Discount officers monitor net funds availability during the period of borrowing to ensure that an institution's actual funding need during the year is consistent with its seasonal credit line. Many seasonal credit borrowers, for example, exhibit a marked increase in their loan portfolios over the first three quarters in each year, reflecting increased agricultural credit demands. Later in the year, loan demand at these banks subsides as farmers sell their crops and repay their outstanding bank loans with the proceeds. Deviations from this typical pattern might indicate that seasonal credit was being used inappropriately. For example, if a seasonal borrower's total loans increased only modestly during the year while its securities portfolio expanded sharply, discount officers might contact the institution to verify whether it remained eligible for the seasonal credit program.

Seasonal credit is typically extended over lengthy periods, and the borrower's funding need is expected to change slowly over the term of the borrowing. Therefore, Reserve Banks can obtain an adequate picture of a borrower's balance sheet trends by collecting only one day of data per week. In cases where seasonal credit is extended to institutions in marginal financial condition, increased monitoring of the borrower is required, and daily data may be collected at the Reserve Bank's discretion.

² This subcommittee is now known as SCRM (Subcommittee on Credit Risk Management). SCRM is a subcommittee of the Conference of Presidents of the Federal Reserve Banks' Committee on Credit and Risk Management.

³ See 75 FR 33807 (June 15, 2010) (describing revisions being implemented); 78 FR 28846 (May 16, 2013) (describing proposed revisions); and 78 FR 44952 (July 25, 2013) (implementing proposed revisions).

⁴ See S-Letter 2487, March 1985.

Secondary credit borrowers are not in generally sound condition and are subject to a higher level of administration by the lending Reserve Bank.⁵ For example, if the loan is requested for a reason other than to cover an unexpected overdraft, the borrower is not allowed to increase its net exposure to other depository institutions—such as by selling federal funds—without permission. The FR 2046 data are not routinely collected from secondary credit borrowers, as adequate information on the need for funding and the reason for borrowing from the Federal Reserve is usually available from other sources, such as direct contacts with banking regulators. The FR 2046 report may be required if the Reserve Bank becomes concerned about the frequency or size of the institution’s borrowing. Secondary credit is generally extended for one day at a time; therefore, daily data are necessary to capture the borrower’s balance sheet trends.⁶

Description of Information Collection

Table 1, below, lists the data items on the FR 2046 report. All data are reported for the borrower’s domestic offices only and reported in thousands of dollars. The data elements include the amounts of total securities, federal funds sold and securities purchased under agreements to resell, total loans, total assets, total deposits, and federal funds purchased and securities sold under agreements to repurchase.

Seasonal credit borrowers generally must submit FR 2046 reports for each two-week period in which a borrowing is outstanding, and report daily data for Wednesdays only.⁷ Seasonal credit borrowers that already report total securities, federal funds sold and resale agreements, total loans, total deposits, and total assets weekly on the Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644; OMB No. 7100-0075) do not need to provide these data on the FR 2046.

If requested by a Reserve Bank, primary or secondary credit borrowers report daily data for the week requested.

⁵ 12 CFR 201.4(b).

⁶ Primary credit borrowers are in generally sound financial condition and, as noted above, there is usually little or no administrative burden on their borrowing, so the FR 2046 will usually not be collected from them. However, the FR 2046 may be required from a primary credit borrower in very unusual circumstances, such as frequent borrowing or if there is information to suggest that undue use is being made of the credit. In these cases, information on federal funds sold and purchased (including resale and repurchase agreements, respectively) would be important in identifying situations in which an institution might be attempting to substitute borrowing at the discount window for its normal market sources of funding. In addition, information on total assets, loans, deposits, and securities could be used to assess the borrower’s funding need or use of the credit. Because primary credit is extended for very short terms, daily data are necessary to capture the borrower’s balance sheet trends.

⁷ As noted earlier, in cases where increased monitoring of a seasonal credit borrower is required, daily data may be collected at the Reserve Bank’s discretion.

Table 1 - Data Items on the FR 2046

Type of Credit	Data Elements	Days of Report Period for which Data are Provided	Qualifications	Definition Source*
Primary or Secondary	Total securities	All	None	Call Report / NCUA 5300
	Federal funds sold and resale agreements		None	Call Report
	Total loans		None	Call Report / NCUA 5300
	Total assets		None	Call Report / NCUA 5300
	Total deposits		None	Call Report / NCUA 5300
	Federal funds purchased and repurchase agreements (exclude FRB borrowings)		None	Call Report
Seasonal	Total securities	Wednesday only	When not reported on FR 2644	Call Report / NCUA 5300
	Federal funds sold and resale agreements	Wednesday only	When not reported on FR 2644	Call Report
	Total loans	Wednesday only	When not reported on FR 2644	FR 2644 or Call Report / NCUA 5300
	Total assets	Wednesday only	When not reported on FR 2644	Call Report / NCUA 5300
	Total deposits	Wednesday only	When not reported on FR 2644	Call Report / NCUA 5300
	Federal funds purchased and repurchase agreements (exclude FRB borrowings)	Wednesday only	None	Call Report
<p>* Source of definition:</p> <p>Call Reports = U.S. commercial bank Consolidated Reports of Condition and Income (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) or Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032)</p> <p>NCUA 5300 = Statement of Financial Condition (NCUA 5300; OMB No. 3133-0004)</p> <p>FR 2644 = Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644; OMB No. 7100-0075)</p>				

Data Content

As shown in Table 2, below, the definitions of the data items “total assets,” “total securities,” “total loans,” and “total deposits” correspond to relevant definitions of these data items in the quarterly Call Reports filed by each type of institution.⁸

Most institutions that borrow at the discount window are banks and hence file the commercial bank Call Reports (FFIEC 031, FFIEC 041, and FFIEC 051). Thus, these definitions

⁸ For U.S. branches and agencies of foreign banks that file a consolidated condition report, it is likely that discount officers would request FR 2046 data for the particular branch that borrows.

should be familiar to the vast majority of discount window borrowers. Moreover, the commercial bank Call Report definitions are fully adequate for discount window monitoring purposes; they include federal funds purchased and sold on an overnight basis or rolled over daily under a continuing contract and also include most overnight and term funding under repurchase agreements, the instruments that are likely alternative market sources of short-term funds for most discount window borrowers.

Table 2 - Definitions of Securities, Loans, Assets, and Deposits on the FR 2046

FR 2046 data item	U.S. commercial banks and others:			U.S. branches and agencies of foreign banks: FFIEC 002 ⁹	Credit unions: NCUA 5300
	FFIEC 031	FFIEC 041	FFIEC 051		
Total securities	Schedule RC Balance Sheet, Domestic office portion of: + Held-to-maturity securities, item 2.a + Available-for-sale debt securities, item 2.b + Equity securities with readily determinable fair values not held for trading, item 2.c + Trading assets, item 5	Schedule RC Balance Sheet + Held-to-maturity securities, item 2.a + Available-for-sale debt securities, item 2.b + Equity securities with readily determinable fair values not held for trading, item 2.c + Trading assets, item 5	Schedule RC Balance Sheet + Held-to-maturity securities, item 2.a + Available-for-sale debt securities, item 2.b + Equity securities with readily determinable fair values not held for trading, item 2.c + Trading assets, item 5	Schedule RAL Assets and Liabilities, Assets + U.S. Treasury securities, item 1.b.(1) + U.S. government agency obligations, item 1.b.(2) + Securities of foreign governments and official institutions, item 1.c.(1), Col. A minus Col. B + Mortgage-backed securities issued or guaranteed by U.S. Govt. agencies, item 1.c.(2)(a), Col. A minus Col. B + Other mortgage-backed securities, item 1.c.(2)(b), Col. A minus Col. B + Other asset-backed securities, Item 1.c.(3), Column A minus Column B + All other bonds, notes, debentures, and corporate stock (including state and local securities), Item 1.c.(4), Column A minus Column B + Trading assets, U.S. Treasury and Agency securities, item 1.f.(1), Col. A minus Col. B + Trading assets: Mortgage-backed securities issued or guaranteed by U.S. Govt. agencies, item 1.f.(2)(a), Col. A minus Col. B + Trading assets: Other mortgage-backed securities, item 1.f.(2)(b), Col. A minus Col. B + Trading assets: Other asset-backed securities, item 1.f.(3), Col. A minus Col. B + Trading assets: Other securities , item 1.f.(4), Col. A minus Col. B + Trading assets: Other trading assets, item 1.f.(5), Col. A minus Col. B	Statement of Financial Condition, Assets, Investments: + Trading Debt Securities, item 7 + Available-for-Sale Debt Securities, item 8 + Held-to-Maturity Debt Securities, item 9

⁹ Excluding transactions of the reporting institution's own International Banking Facilities (IBFs) with nonrelated parties and related depository institutions.

FR 2046 data item	U.S. commercial banks and others:			U.S. branches and agencies of foreign banks:	Credit unions:
	FFIEC 031	FFIEC 041	FFIEC 051	FFIEC 002 ⁹	NCUA 5300
Total loans	Schedule RC-C Loans and Lease Financing Receivables, Part I. Total loans and leases held for investment and held for sale, Column B, item 12	Schedule RC-C Loans and Lease Financing Receivables, Part I. Total loans and leases held for investment and held for sale, Column B, item 12	Schedule RC-C Loans and Lease Financing Receivables, Part I. Total loans and leases held for investment and held for sale, item 12	Schedule RAL Assets and Liabilities, Assets, Loans and leases held for investment and held for sale, item 1.e, Col. A minus Col. B	Statement of Financial Condition, Assets, Investments, Total Loans & Leases, item 15, amount
Total assets	Schedule RC-H Selected Bal- ance Sheet Items for Domestic Offices + Net due <i>from</i> own foreign offices, Edge and agreement subsidiaries, and IBFs, item 6 + Total assets (excludes net due from own foreign offices, Edge and agreement subsidiaries, and IBFs), item 8	Schedule RC Balance Sheet, Total Assets, item 12	Schedule RC Balance Sheet, Total Assets, item 12	Schedule RAL Assets and Liabilities, Assets, Total Assets, item 3, Col. A minus Col. B	Statement of Financial Condition, Assets, Total Assets, item 23
Total deposits	Schedule RC Balance Sheet, Deposits in domestic offices, item 13.a	Schedule RC Balance Sheet, Deposits in domestic offices, item 13.a	Schedule RC Balance Sheet, Deposits in domestic offices, item 13.a	Schedule RAL Assets and Liabilities, Liabilities, Total deposits and credit balances, item 4.a, Col. A minus Col. B	Statement of Financial Condition, Liabilities, Shares/Deposits, Total shares and deposits, item 7

Reporting Panel

Any depository institution that maintains reservable deposits is eligible to borrow at the discount window. Approximately 10,200 depository institutions are eligible to borrow at the discount window, including domestic insured commercial banks, insured savings banks, savings and loan associations, insured credit unions, U.S. branches and agencies of foreign banks, and others.¹⁰ However, in any given week, only a relatively small number of depositories borrow from the discount window.¹¹

¹⁰ 12 CFR 201.2(c).

¹¹ From 2019 to 2021, the weekly number of primary credit borrowers ranged from 15 to 300, and the weekly number of secondary credit borrowers ranged from 0 to 3.

As noted above, the FR 2046 report is usually not collected from primary credit borrowers, and it is not routinely collected from secondary credit borrowers if necessary information is available from other sources. The reporting panel consists almost entirely of institutions that borrow seasonal credit. The number of seasonal credit borrowers varies considerably over the year and has been less than 100 in any given week since 2007, even during peak borrowing months.

Frequency

When borrowing seasonal credit, institutions must submit the FR 2046 for *each week* of any reserve maintenance period—a 14-day period that begins on a Thursday and ends on a Wednesday during which a depository institution must hold reserve balances to meet Federal Reserve reserve balance requirements¹²—in which the institution had an outstanding seasonal credit loan on one or more days. For example, if an institution borrows on each day of a reserve maintenance period, Reserve Banks collect the FR 2046 twice: once for data from first week of the reporting period and a second time for data from the second week of the reporting period. If an institution borrowed only during the first week of the maintenance period (or only during the second week), the FR 2046 is still collected for each of the two weeks of that maintenance period. Reserve Banks indicate to the borrowers the dates for which FR 2046 data are required.

If requested by a Reserve Bank, primary and secondary credit borrowers would submit a weekly report that covers the five business days of daily data for the week ending on Wednesday.

Time Schedule for Information Collection

Depository institutions file the FR 2046 by the Wednesday following the end of the reporting week. Generally, Reserve Banks receive the data via electronic transmission to the discount window or statistics department.

Public Availability of Data

No data collected by this information collection is published.

Legal Status

The FR 2046 report is authorized pursuant to sections 4(8),¹³ 10B,¹⁴ and 19(b)(7)¹⁵ of the Federal Reserve Act (“FRA”), which authorize Federal Reserve Banks to provide discounts or advances to a member bank or other depository institution and to demand notes secured to the satisfaction of each Reserve Bank, and authorize the Board to establish rules and regulations

¹² 12 CFR 204.5(b)(1)-(2).

¹³ 12 U.S.C. § 301.

¹⁴ 12 U.S.C. § 347b.

¹⁵ 12 U.S.C. § 461(b)(7).

under which a Reserve Bank may extend such credit.¹⁶ Specifically, section 4(8) of the FRA requires each Reserve Bank to keep itself informed of the general character and amount of the loans and investments of a depository institution “with a view to ascertaining whether undue use is being made of bank credit,” and instructs that, “in determining whether to grant or refuse advances, rediscounts, or other credit accommodations, the Federal [R]eserve [B]ank shall give consideration to such information.” Section 10B of the FRA permits Federal Reserve Banks to make advances to member banks “under rules and regulations prescribed by the Board.” Section 19(b)(7) of the FRA provides that any depository institution that holds reservable deposits is entitled to the same discount and borrowing privileges as member banks.

In addition, section 9(6)¹⁷ of the FRA, which requires state member banks to file reports of condition and of the payment of dividends with the Federal Reserve, provides authority to collect balance sheet information from state member banks. Sections 2A¹⁸ and 11¹⁹ of the FRA, respectively, as well as section 7(c)(2) of the International Banking Act,²⁰ authorize the Board to collect balance sheet data from domestically chartered commercial banks and U.S. branches and agencies of foreign banks.

If requested by the lending Reserve Bank, a depository institution that borrowed from the discount window must submit the FR 2046 report. Accordingly, the obligation to respond is mandatory.

The Federal Reserve publishes aggregate data on discount window lending, which does not identify individual borrowers. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Board to publish certain information on individual discount window borrowers and transactions (*i.e.*, the identity of the borrower, the amount that was borrowed, the interest rate, and the types and amounts of collateral or assets pledged) after an approximately two year lag.²¹ The FR 2046 report is considered confidential until the fact that the institution borrowed from the discount window is disclosed. Until this point, the fact that this report was filed would constitute nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, because it would reveal the fact of discount window borrowing, as only borrowers are required to file this form. Thus, this information is kept confidential under exemption 4 of the Freedom of Information Act (“FOIA”),²² which protects from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential.” Once the fact that an institution borrowed from the discount window is disclosed, the FR 2046 report is no longer considered confidential in the event a FOIA request is received.

¹⁶ Section 142 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102-242, Title I, Subtitle E, § 142 (Dec. 19, 1991)), amended section 10B of the FRA (12 U.S.C. § 347b(b)) to discourage Reserve Banks from making advances to undercapitalized and critically undercapitalized depository institutions by imposing liability on the Board for certain losses incurred by the funds administered by the Federal Deposit Insurance Corporation. *See* 58 FR 45851 (Aug. 31, 1993).

¹⁷ 12 U.S.C. § 324.

¹⁸ 12 U.S.C. § 225a.

¹⁹ 12 U.S.C. §§ and 248(a)(2) and (i).

²⁰ 12 U.S.C. § 3105(c)(2)).

²¹ *See* 12 U.S.C. § 248(s).

²² 5 U.S.C. § 552(b)(4).

Consultation Outside the Agency

There has been no consultation outside the agency.

Public Comments

On October 13, 2022, the Board published an initial notice in the *Federal Register* (87 FR 62098) requesting public comment for 60 days on the extension, without revision, of the FR 2046.

Estimates of Respondent Burden

As shown in the table below, the estimated total annual burden of the FR 2046 is 90 hours. Because the report is event-generated, it is not possible to predict exactly how many reports will be filed in a given year. As a result, the estimate of respondent burden is based on recent historical discount window borrowing frequencies. As noted above, the FR 2046 data usually are not collected from primary credit borrowers, and are not routinely collected from secondary credit borrowers if necessary information is available from other sources. Therefore, only a nominal burden is expected for these programs. The estimated number of respondents and annual frequency for the seasonal credit program is based on borrowing activity in 2019 through 2021. The estimated average hours per response of 0.75 hours for primary and secondary credit borrowers is attributed to the collection of daily data. The estimated average hours per response of 0.25 hours for seasonal credit borrowers is attributed to the collection of weekly (Wednesday) data. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 2046	Estimated number of respondents ²³	Annual frequency	Estimated average hours per response	Estimated annual burden hours
Primary and Secondary Credit	1	1	0.75	1
Seasonal Credit	32	11	0.25	88
Seasonal Credit, borrower in questionable financial condition ²⁴	1	1	0.75	<u>1</u>
<i>Total</i>				<u>90</u>

²³ Of these respondents, 32 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support-table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

²⁴ As noted above, in very unusual circumstances, a Reserve Bank may collect daily data on the FR 2046 from seasonal credit borrowers in questionable financial condition.

The estimated total annual cost to the public for the FR 2046 is \$5,441.²⁵

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 ongoing annual cost of the FR 2046 is estimated to be \$29,600 based on an estimate of 20 minutes of staff time per filed report, plus 1 hour per Reserve Bank for weekly processing (including panel maintenance, report generation, and report analysis), at \$40 per hour. The data are not subject to extensive editing or other manipulation and are not submitted to the Board of Governors.

²⁵ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$21, 45% Financial Managers at \$74, 15% Lawyers at \$71, and 10% Chief Executives at \$102). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages, May 2021, published March 31, 2022 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.