

**Supporting Statement for the  
Semiannual Report of Derivatives Activity  
(FR 2436; OMB No. 7100-0286)**

**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 Semiannual Report of Derivatives Activity (FR 2436; OMB No. 7100-0286). The FR 2436 collects derivatives market statistics from the eight largest U.S. dealers of over-the-counter (OTC) derivatives. Data are collected on the notional amounts and gross fair values of the volumes outstanding of broad categories of foreign exchange, interest rate, equity, commodity-linked, and credit default swap OTC derivatives contracts across a range of underlying currencies, interest rates, and equity markets.

The FR 2436 is the U.S. portion of a global data collection conducted by central banks. The Bank for International Settlements (BIS), of which the Board is a member, compiles aggregate national data from each central bank to produce and publish global market statistics. The BIS survey has two parts: a Derivatives Outstanding survey and a Turnover (volume of transactions) survey. The FR 2436 fulfills the Derivatives Outstanding portion and complements the triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity (FR 3036; OMB No. 7100-0285), which collects data on derivatives turnover for the Turnover portion of the survey. Together with data from other reporting countries, the Derivatives Outstanding portion of the BIS survey represents at least 90 percent of global OTC derivatives positions.

The estimated total annual burden for the FR 2436 is 3,776 hours for the eight OTC derivative dealers, each of which responds on a semiannual basis. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

**Background and Justification**

The purpose of the FR 2436 is to obtain comprehensive and internationally consistent information on the size and structure of the OTC derivatives markets. The statistics are useful to the Board, other central banks, and other parties who monitor patterns of activity in financial transactions. Due to the global nature of derivatives activity, cooperative efforts are necessary to effectively monitor this activity and to collect comprehensive data on it. The Board's involvement in this international reporting program, therefore, promotes the availability of statistics necessary for oversight of international financial markets. Federal Reserve staff use these data to monitor activity in the OTC derivatives markets and to gauge the concentration in, and hence, competitiveness of these markets.

A sum of notional amounts outstanding provides a means of approximating the scale and character of market transactions, in much the same manner as a sum of principal amounts provides for the cash market. Allocating notional amounts outstanding to market risk,

instrument, maturity, and counterparty categories provides greater insight into the exposures to price risks transferred between contracting parties. Additionally, regularly published data on notional amounts enhance market transparency and permit market participants to compare, over time, the size and composition of their derivatives activities with those taking place in the market as a whole.

Gross fair values can also be used as a measure of market size; they show, at a given point in time, the amount of risk that is transferred using derivatives contracts. Although, this measure requires summing the gross positive fair values of all market participants (not just of reporters), the gross positive fair value of nonreporting firms can be captured by measuring the negative fair value of reporting firms' contracts with nonreporting firms. Thus, market size statistics based on gross fair value can be constructed while maintaining a limited reporting population.

This information is not available from other sources.

## **Description of Information Collection**

The panel of derivatives dealers provides data on outstanding positions (notional, gross positive and gross negative fair values) with breakdowns by broad market risk category, product type, counterparty type, maturity, and specific underlying market risks—the currency, equity market, or reference entity that underlie the contract. In addition, reporters provide data on the credit exposures and liabilities arising from all outstanding credit default swaps (CDS) contracts, as well as from the entire portfolio.

### **Respondent Panel**

The FR 2436 panel comprises eight of the largest U.S. dealers of OTC derivatives.

## **Time Schedule for Information Collection**

Respondents file the FR 2436 within 75 days of the as of dates, June 30 and December 31, each year. After editing the data, the Federal Reserve Bank of New York (FRBNY) sends the aggregated data to the BIS and sends reporter-level and aggregated data to the Board. The Board uses the reporter-level data to compute aggregated concentration statistics, which it sends to the BIS. The BIS compiles the aggregated data and the concentration statistics from U.S. institutions with those from the approximately 60 additional reporters from other G-10 countries; it then constructs and publishes global derivatives market statistics.

## **Public Availability of Data**

The aggregated FR 2436 data is compiled and forwarded to the BIS, which publishes global market statistics that are aggregates of national data from the Federal Reserve and other central banks.

## **Legal Status**

The FR 2436 is authorized pursuant to sections 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires that the Board and the Federal Open Market Committee (FOMC) maintain long-run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.<sup>1</sup> Under section 12A of the FRA, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks. Those transactions must be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.<sup>2</sup> The Board and the FOMC use the information obtained from the FR 2436 to help fulfill these obligations.

The FR 2436 is voluntary.

Aggregated FR 2436 data is compiled and forwarded to the BIS, which publishes global market statistics that are aggregates of national data from the Federal Reserve and other central banks. To the extent individual firm information collected on the FR 2436 constitutes nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, it may be kept confidential under exemption 4 of the Freedom of Information Act, which exempts "trade secrets and commercial or financial information obtained from a person and privileged or confidential."<sup>3</sup> If it should be determined that any information collected on the FR 2436 must be released, other than in the aggregate in ways that will not reveal the amounts reported by any one institution, respondents will be notified.

### **Consultation Outside the Agency**

The Board and the FRBNY consult periodically with the BIS to remain consistent with international guidelines for collecting these data; currently no changes are needed.

### **Public Comments**

On November 23, 2021, the Board published an initial notice in the *Federal Register* (86 FR 66555) requesting public comment for 60 days on the extension, without revision, of the FR 2436. The comment period for this notice will expire on January 24, 2022.

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 2436 is 3,776 hours. The number of respondents is based on evaluating data from the most recent FR 3036, determining the size of reporters' derivatives positions and selecting potential reporters that represent coverage of 90 percent of all OTC derivatives contracts at U.S.-headquartered bank holding companies. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

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<sup>1</sup> 12 U.S.C. § 225a.

<sup>2</sup> 12 U.S.C. § 263.

<sup>3</sup> 5 U.S.C. § 552(b)(4).

<b>FR 2436</b>	<i>Estimated number of respondents<sup>4</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	8	2	236	3,776

The estimated total annual cost to the public for this collection of information is \$223,350.<sup>5</sup>

### **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 estimated cost to the Federal Reserve System for collecting and processing this report is \$120,000.

<sup>4</sup> Of these respondents, none 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>.

<sup>5</sup> 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 \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.