

**Supporting Statement for the
Annual Daylight Overdraft Capital Report
for U.S. Branches and Agencies of Foreign Banks
(FR 2225; OMB No. 7100-0216)**

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 Annual Daylight Overdraft Capital Report for U.S. Branches and Agencies of Foreign Banks (FR 2225; OMB No. 7100-0216). The FR 2225 is required for foreign banking organizations (FBOs) that wish to, and are eligible to, establish a non-zero net debit cap for their U.S. branches and agencies under the Federal Reserve Policy on Payment System Risk (PSR policy).

The estimated total annual burden for the FR 2225 is 51 hours. The form and instructions are available on the Board’s public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

Since 1985, the Board has published and periodically revised a series of policies encouraging the management of risks in payment and securities settlement systems.¹ In 1992, the Board first issued the “Policy Statement on Payments System Risk,” which provided a comprehensive statement of its previously adopted policies regarding payment system risk reduction, including risk management in private large-dollar funds transfer networks, private delivery-against-payment securities settlement systems, offshore dollar clearing and netting systems, and private small-dollar clearing and settlement systems.² Over time, the Board has updated the PSR policy to reflect the evolution of payment, clearing, and settlement systems that participate in the financial system; incorporate relevant international risk-management standards developed by central banks and market regulators as the baseline for its expectations; and improve transparency in the systems that are subject to the Board’s authority.³

Under the PSR policy, all institutions that maintain a Federal Reserve account are assigned or may establish a net debit cap that represents an upper limit on uncollateralized daylight overdrafts incurred in that account. A daylight overdraft occurs when an institution’s Federal Reserve account is in a negative position during the business day. An institution’s net debit cap category and its capital measure determine the size of its net debit cap. Net debit caps for U.S. branches and agencies of foreign banks are calculated in the same manner as for

¹ See 50 FR 21120 (May 22, 1985); 51 FR 23829 (July 1, 1986); 52 FR 29255 (August 6, 1987); 55 FR 22087 (May 31, 1990).

² 57 FR 40455 (September 3, 1992).

³ See e.g., 59 FR 25060 (May 13, 1994); 59 FR 67534, 67538 (December 29, 1994); 63 FR 70774 (December 22, 1998); 69 FR 69926 (December 1, 2004); 72 FR 2518 (January 19, 2007); 73 FR 79109 (December 24, 2008); 84 FR 12049 (April 1, 2019); 85 FR 19077 (April 6, 2020). The Federal Reserve Policy on Payment System Risk is available at https://www.federalreserve.gov/paymentsystems/files/psr_policy.pdf.

domestic banks: by multiplying an institution's cap multiple⁴ by its capital measure.⁵ An institution's cap category and associated cap multiple are determined through a self-assessment and a board of directors resolution for self-assessed institutions, through a board of directors resolution for *de minimis* institutions, or by assignment by the Administrative Reserve Bank.⁶

Without the worldwide capital figures reported in the FR 2225, Reserve Banks would not be able to determine an FBO's net debit cap. Moreover, without at least an annual update of the worldwide capital figures, the net debit cap would be stale, especially when compared to domestic peers that must submit their capital figures on at least an annual basis. This information is not available from other sources.

Description of Information Collection

The FR 2225 reporting form collects information needed to identify the respondent and its fiscal year end, and collects four items to determine its year-end capital and assets for purposes of daylight overdraft monitoring. Four items, converted into U.S. dollars, are collected for the capital and assets determination: worldwide capital for the reporting FBO (item 1), an adjustment to avoid double counting of capital used by any direct or indirect subsidiary of the FBO that also has access to Fedwire and has its own net debit cap (item 2), the FBO's total daylight overdraft capital base for the U.S. branch and agency family (item 3), which is used to calculate the net debit cap, and the reporting FBO's total worldwide assets (item 4). The Reserve Banks use items 1 and 2 as supplemental information to clarify the data reported in item 3. The Federal Reserve uses the assets data reported in item 4 for analytical purposes.

The reporting panel comprises FBOs with U.S. branches or agencies that wish to or are eligible to have a non-zero net debit cap for their U.S. branches and agencies under the PSR policy. Pursuant to the PSR policy, an FBO requesting a non-zero net debit cap is required to file the FR 2225. The FR 2225 must be submitted annually, following the end of the FBO's fiscal year. An FBO may voluntarily submit the report more frequently to have its overdraft limit revised based on current data. The net debit cap for an FBO's U.S. branches and agencies is calculated on a consolidated basis for the FBO as a whole. Therefore, an FBO with multiple offices in the U.S. submits only one form for the U.S. "family" of offices.

Respondents submit the FR 2225 to their Administrative Reserve Bank. The completed FR 2225 forms are submitted to Reserve Banks via electronic communications using a portable document format (PDF).

⁴ Under Section II.D.1 of the PSR policy, the cap multiple for the "high" category is 2.25, for the "above average" category is 1.875, for the "average" category is 1.125, for the "de minimis" category is 0.4, for the "exempt-from-filing" category is 0.2 or \$10 million, and for the "zero" category is 0. Note that the net debit cap for the exempt-from-filing category is equal to the lesser of \$10 million or 0.2 multiplied by the capital measure.

⁵ U.S. branches and agencies of foreign banks are entities contained within and controlled by a foreign banking organization. For the definition of "branch" and "agency," refer to 12 U.S.C. § 3101 and 12 CFR 211.21.

⁶ The Administrative Reserve Bank is the Reserve Bank responsible for the administration of Federal Reserve credit, reserves, and risk-management policies for a given depository institution or other legal entity.

Respondent Panel

The FR 2225 panel comprises foreign banking organizations with U.S. branches or agencies that wish to and are eligible to establish a non-zero net debit cap for their U.S. branches and agencies under the PSR policy.

Time Schedule for Information Collection

The FR 2225 is due 90 days after the respondent's fiscal year-end. The U.S. office of the reporting FBO submits the data directly to the Administrative Reserve Bank stated in the reporting instructions. If the reporting FBO has more than one U.S. office, the FBO designates one office as the reporting office and this office serves as the FBO's representative on all matters involving compliance with the PSR policy.⁷

Public Availability of Data

Unless a reporting FBO requests confidential treatment, the FR 2225 is a public report and is available through the Board's Freedom of Information Act Office.

Legal Status

This information collection is authorized pursuant to section 7(a) of the International Banking Act,⁸ which establishes reserve requirements for U.S. branches and agencies of foreign banks, and pursuant to section 13(14) of the Federal Reserve Act (FRA),⁹ which provides that "each Federal Reserve bank may receive deposits from, discount paper endorsed by, and make advances to any branch or agency of a foreign bank in the same manner and to the same extent that it may exercise such powers with respect to a member bank if such branch or agency is maintaining reserves with such Reserve bank pursuant to section 7 of the International Banking Act of 1978." In addition, sections 11(i), 16, and 19(f) of the FRA,¹⁰ which permit Reserve Banks to provide payment services to member banks, provide authority for the collection of the FR 2225 report in conjunction with the provisions above providing that Federal Reserve Banks may provide certain services to certain FBOs to the same extent that it may provide these services to a member bank. The FR 2225 is required to obtain a benefit, specifically a non-zero net debit cap.

The Board generally does not consider the information collected on the FR 2225 report to be confidential, and the completed version of this report generally is made available to the public upon request. However, in certain instances, specific information collected on an individual FBO's FR 2225 report may be exempt from disclosure, for example, pursuant to exemption 4 of the Freedom of Information Act (FOIA), which protects from public disclosure "trade secrets and commercial or financial information obtained from a person [that is] privileged or

⁷ The Board will determine the Federal Reserve District in which the institution is located after consultation with the institution and the relevant Federal Reserve Banks. See 12 CFR 204.3.

⁸ 12 U.S.C. § 3105(a).

⁹ 12 U.S.C. § 347d.

¹⁰ 12 U.S.C. §§ 248(i), 248-1, and 464.

confidential.”¹¹ In order to obtain confidential treatment, a request for confidential treatment must be submitted by the FBO in writing concurrently with the submission of the FR 2225 report. This written request must identify the specific data for which confidential treatment is sought and must provide the legal justification for the confidentiality request, as provided in the Board’s Rules Regarding Availability of Information (12 CFR part 261). The Federal Reserve will review each request for confidential treatment on a case-by-case basis to determine if confidential treatment is appropriate.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On November 29, 2022, the Board published an initial notice in the *Federal Register* (87 FR 73307) requesting public comment for 60 days on the extension, without revision, of the FR 2225. The comment period for this notice expires on January 30, 2023.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2225 is 51 hours. The number of respondents is based on the Board’s current count of institutions that have a positive net debit cap. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FR 2225	<i>Estimated number of respondents</i> <small>12</small>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	51	1	1	<u>51</u>
	<i>Total</i>			51

The estimated total annual cost to the public for the FR 2225 is \$3,083.¹³

¹¹ 5 U.S.C. § 552(b)(4).

¹² Of these respondents required to comply with this information collection, 7 respondents 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.

¹³ 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/>.

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 negligible.