

**Supporting Statement for the  
Report of Selected Money Market Rates  
(FR 2420; OMB No. 7100-0357)**

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Report of Selected Money Market Rates (FR 2420; OMB No. 7100-0357). The FR 2420 is a transaction-based report that collects daily liability data on federal funds purchased, selected borrowings from non-exempt entities,<sup>1</sup> Eurodollar transactions, and time deposits and certificates of deposits (CDs) from (1) domestically chartered commercial banks and savings associations that have \$18 billion or more in total assets as well as those that have total assets above \$5 billion but less than \$18 billion and meet the activity threshold, (2) U.S. branches and agencies of foreign banks with total third-party assets of \$2.5 billion or more, and (3) significant banking organizations that are active participants in money markets. The FR 2420 also collects daily data on Eurodollar transactions from International Banking Facilities (IBFs) of the above-referenced institutions. The FR 2420 data are used in the publication of the Effective Federal Funds Rate (EFFR) and Overnight Bank Funding Rate (OBFR) and in analysis of current money market conditions.

The Board added a data item to specify the day-count convention used for all interest rates reported on the FR 2420 reporting form. The Board also revised the FR 2420 instructions to allow for more timely collection of data, improve monitoring of the transition away from the London Interbank Offered Rate (LIBOR), strengthen the reference rate production process, and ensure the integrity of reported data. The revisions support the Board's monetary policy and supervisory mandates by providing greater insight into funding market conditions in periods where conditions change rapidly, potentially affecting policy measures taken by the Federal Reserve. The revisions to FR 2420 would be effective with the September 1, 2022, as of date.

The current estimated total annual burden for the FR 2420 is 100,700 hours, and would increase to 111,675 hours. The revisions would result in an increase of 10,975 hours. The draft form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

## **Background and Justification**

The Board established the FR 2420 in April 2014 to enhance the Federal Reserve's ability to monitor money markets. The Federal Reserve Bank of New York (FRBNY), on behalf of the Federal Reserve, implements temporary open market operations in money markets at the directive of the Federal Open Market Committee (FOMC). Having transaction-level data on a variety of money market instruments provides insight into market functioning, allows FRBNY to meet the FOMC's policy directive, and is used in the publication of the EFFR and OBFR. This

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<sup>1</sup> A selected borrowing from a non-exempt entity is an unsecured borrowing (an unsecured primary obligation undertaken by the reporting institution as a means of obtaining funds) in U.S. dollars from a counterparty that is a non-exempt entity as derived from Regulation D, section 204.2(a)(vii).

information is not available from other sources.

## **Description of Information Collection**

The FR 2420 is a transaction-based report that collects daily liability data on federal funds, selected borrowings from non-exempt entities, Eurodollars, and time deposits and certificates of deposit (CDs). Transactions in these money market instruments are reportable if executed on the report date and are denominated in U.S. dollars, executed in amounts of \$1 million or more, and are conducted at arm's length. Reported information includes the amount of each transaction; the trade date, settlement date, and maturity date of each transaction; the interest rate for each transaction; and the counterparty type involved in each transaction. In addition, as CDs may have floating rates, several additional items are collected to better understand their interest rate structure.

### **Federal Funds Purchased (Part A)**

Part A captures data used for the analysis of federal funds market conditions. Federal funds purchased are unsecured borrowings of the reporting institution's U.S. offices from a counterparty that is an exempt entity as defined in Regulation D - Reserve Requirements of Depository Institutions (12 CFR Part 204).

### **Eurodollars (Part B)**

Eurodollars are an important source of funding for U.S.-based banking offices and the Federal Reserve monitors and analyzes the Eurodollar market concurrently with its coverage of the federal funds market. Eurodollars are unsecured liabilities of the reporting institution's non-U.S. offices. IBFs of reporting institutions must also file a separate FR 2420 Part B.

### **Time Deposits and Certificates of Deposit (Part C)**

Data on time deposits and CD transactions provide alternative sources of information to the current daily survey of CD rates conducted by the Federal Reserve and improve market monitoring capabilities as it provides previously unavailable detail on CD interest rate structure. Time deposits and CDs are booked by the reporting institution, and may be evidenced by a negotiable or nonnegotiable instrument, or a deposit in book entry form evidenced by a receipt or similar acknowledgement issued by the bank. Unlike federal funds and Eurodollars, CDs frequently have floating rates. For that reason, the FR 2420 collects additional data fields for reportable CD transactions that are necessary to understand the interest rate structure over the life of each CD. These data items are floating or fixed rate, a step-up indicator, reset period, reference rate and spread information, negotiability, and embedded options.

### **Selected Deposits (Part D)**

Part D captures short-term wholesale unsecured deposits that are economically equivalent to federal funds purchased in Part A or Eurodollars in Part B. The primary target for this collection is reporting institutions that, in recent years, shifted deposits from branches in the

Caribbean Islands<sup>2</sup> to the U.S. Part D also collects data from institutions that have historically booked all or a portion of such deposits in their U.S. offices.

### **Respondent Panel**

The FR 2420 panel comprises commercial banks, savings associations, U.S. branches and agencies of foreign banks, IBFs, and significant banking organizations representing entities actively participating in the federal funds and/or other money markets.<sup>3</sup> Commercial banks and savings associations with \$18 billion or more in total assets on the September 30 Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) each year are required to submit the FR 2420 daily for the following year. Additionally, commercial banks and savings associations with total assets above \$5 billion, but less than \$18 billion, and federal funds activity totaling more than \$200 million on two or more days over the preceding three months are included in the reporting panel. These thresholds currently capture 98 depository institutions, which provide sufficient coverage to have a statistically representative sample. U.S. branches and agencies of foreign banks are required to report daily if third-party assets are \$2.5 billion or more on the September 30 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032). This threshold currently captures the 82 largest U.S. branches and agencies of foreign banks. IBFs of the above-referenced institutions are required to report daily for Eurodollars (Part B) only. This requirement currently captures 77 IBFs. There is currently one institution deemed a significant banking institution.

### **Frequency**

The FR 2420 report is submitted daily. Data collected are used by FRBNY as part of the Federal Reserve's daily market monitoring responsibilities. Part of that analysis calculates average rates across products and tenors, and follows trends in the aggregate levels of transactions. In order to calculate timely effective rates, daily data are needed.

### **Proposed Revisions to the FR 2420**

The Board proposes to add a data item to specify the day-count convention used for all interest rates reported on the FR 2420 reporting form. The Board also proposes revisions to the FR 2420 instructions to allow for more timely collection of data, improve monitoring of the transition away from the LIBOR, strengthen the reference rate production process, and ensure the integrity of reported data. The proposed revisions support the Board's monetary policy and supervisory mandates by providing greater insight into funding market conditions in periods where conditions change rapidly, potentially affecting policy measures taken by the Federal Reserve. The proposed revisions to FR 2420 would be effective with the January 1, 2022, as of

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<sup>2</sup> Caribbean islands includes the Cayman Islands and Nassau, Bahamas or any other location within the Caribbean if the majority of the responsibility for business decisions for that FBO branch reside at the U.S. branch of the foreign bank that reports on the FR 2420.

<sup>3</sup> A significant banking organization is an entity that does not fall within the normal criteria for reporting but, nonetheless, is a participant in money markets whose data is important to the analysis and monitoring of market activity.

date.

## **Reporting Form Revisions**

The Board proposes to add a data item to specify the day-count convention used for all interest rates reported on FR 2420. The Federal Reserve has identified limited instances of reporting institutions using multiple day-count conventions in calculating reported interest rates, specifically found in the reporting of Part C interest rates. The proposed revision would improve the accuracy of reported data benefiting the Federal Reserve's monitoring of funding market conditions and strengthening the production of the EFFR and OBFR. The proposed data item would provide the following day-count conventions as options: actual/360, actual/365, 30/360, 30/365, actual/actual, and other.

## **Instruction Revisions**

### *Additional Reference Rate Options for Floating-Rate Time Deposits and CDs (Part C)*

The Board proposes to include additional reference rates to which floating-rate time deposits and CDs are tied. The additional rates include the Secured Overnight Financing Rate (SOFR), other SOFR-based rates, and OBFR, all of which are published daily by the FRBNY. Other SOFR-based rates include the SOFR Index and the SOFR Averages over 30, 90, and 180 days. This revision would improve the ability of the Federal Reserve to monitor the progress of the transition from LIBOR to SOFR with respect to floating-rate money market instruments.<sup>4</sup>

### *Earlier Deadline for Submission of Time Deposit and CD data (General Instructions)*

The Board proposes to change the deadline for submission of time deposit and CD data in Part C to 2 p.m. ET one business day (T+1) after the report date, rather than two business days (T+2) after the report date. This proposed change would provide more timely data and improve the Federal Reserve's monitoring of funding market conditions. The change would be particularly beneficial on occasions when market conditions change quickly, such as when a deterioration in time deposit and CD markets may produce spillovers to other markets.

### *Earlier Deadline for Submission of Federal Funds Purchased, Eurodollar, and Selected Deposits Data (General Instructions)*

The Board proposes to change the deadline for submission of Federal Funds Purchased, Eurodollars, and Selected Deposits data in Parts A, B, and D to 7 p.m. ET the same day (T+0) as the transaction date, rather than 7 a.m. ET one business day (T+1) after the transaction date. The proposed earlier reporting deadline would allow for more opportunity for data review and validation, reducing operational risk associated with the publication of the EFFR and OBFR.

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<sup>4</sup> The Alternative Reference Rates Committee is a group of private-market participants convened by the Board and the FRBNY to help ensure a successful transition from U.S. dollar LIBOR to a more robust reference rate, its recommended alternative, the SOFR.

### *Clarifications to Prevent Errors (Parts C and D)*

The Board proposes other minor additions to the FR 2420 instructions to prevent confusion and errors on the part of reporting institutions. Guidance would be added for certain reciprocal deposits, including insured deposit cash sweeps and Certificate of Deposit Account Registry Service (CDARS) deposits (Part C). Additional guidance would be included on the correct reporting of brokered deposits (Part C) and certain securities lending transactions (Part D).

### **Time Schedule for Information Collection**

With the proposed changes, respondents are required to file the FR 2420 with the FRBNY for each business day as follows: (1) Part A, Part B, and Part D are due by 7 p.m. ET on the report date and (2) Part C is due by 2 p.m. ET one business day after the report date.

### **Public Availability of Data**

There is no data for specific reporting institutions related to this information collection available to the public. The FRBNY uses the aggregated data from the FR 2420 to publish the EFFR, OBFR, and associated aggregated statistics on its public website daily.

### **Legal Status**

The FR 2420 is authorized by section 11 of the Federal Reserve Act (FRA) and section 7 of the International Banking Act of 1978 (IBA). Section 11 of the FRA authorizes the Board to require reports from depository institutions as it may deem necessary and authorizes the Board to prescribe reports of liabilities and assets from insured depository institutions to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates (12 U.S.C. § 248(a)). Section 7 of the IBA provides that federal branches and agencies of foreign banks are subject to section 11 of the FRA as if they were state member banks (12 U.S.C. § 3105(c)). The obligation to respond to the FR 2420 is mandatory.

The FRBNY uses aggregate data from the FR 2420 to publish the EFFR, OBFR, and associated statistics daily. The information provided by individual respondents to the FR 2420 is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondents. Responses to the FR 2420 are therefore accorded confidential treatment pursuant to exemption 4 of the Freedom of Information Act (5 U.S.C. § 552(b)(4)).

### **Consultation Outside the Agency**

A group of large FR 2420 respondents (less than 10) were consulted in November 2020 regarding the feasibility of reporting timestamps for FR 2420 transactions, shifting reporting deadlines, and the day-count conventions used when reporting interest rates on FR 2420 transactions. Outreach results suggest that timestamps for transactions are not recorded in a consistent fashion across respondents, and thus the current proposals do not call for the reporting of timestamps. Outreach also suggests that most respondents currently report Parts A, B, and D

of the FR 2420 report on a T+0 basis, and no respondents consulted suggested that a T+0 reporting deadline for Parts A, B, and D was not feasible. Most respondents consulted noted that they should be able to report Part C transactions on a T+1 basis. Feedback also showed that most transactions are reported using the actual/360 day-count convention for interest rates, but other day-count conventions are used for some reported transactions.

## **Public Comments**

On May 5, 2021, the Board published an initial notice in the *Federal Register* (86 FR 23971) requesting public comment for 60 days on the extension, with revision, of the FR 2420. The comment period for this notice expired on July 6, 2021. The Board received two comment letters from two banking industry associations. As more fully explained below, the commenters opposed changing the submission deadline for certain parts of the FR 2420 from the morning after the transaction is completed (next-day deadline) to the evening the transaction is completed (same-day deadline) and suggested a later implementation date for changing the submission deadline for CD and time deposit transactions (Part C). One comment also argued that certain proposed additions to the FR 2420 instructions, pertaining to securities lending, CDARS, and insured cash sweep transactions, would significantly alter the scope of required reporting and increase the reporting burden. In light of the comments, the Board has finalized the proposed revisions to FR 2420, with certain modifications intended to mitigate any increase in reporting burden.

### *Same Day Submission Deadline for Parts A, B, and D of FR 2420*

The commenters indicated that the proposed same-day deadline for submission of data related to Federal Funds Purchased (Part A), Eurodollars (Part B), and Selected Deposits (Part D) transactions from the morning after the transaction is completed (next-day deadline) to the evening the transaction is completed (same-day deadline) would not be feasible for certain reporters and would leave insufficient time for reporting controls and other due diligence processes. The commenters also suggested that the proposed deadline would lead to an increase in re-filings of the FR 2420 report, as firms would need to re-file to correct mistakes which would also increase the reporting burden.

In consideration of the additional burden on certain reporters that would have resulted from the proposed same-day deadline, the Board has not finalized this proposed revision to the FR 2420. The deadline for the above noted parts of FR 2420 will remain 7 a.m. ET on the day after the transaction date. However, the Board will nonetheless encourage firms to submit reports as early as possible in order to reduce operational risk associated with the publication of reference rates. The majority of reporting firms already submit data for these parts of FR 2420 on the same day as the transactions are completed, and the Board encourages other reporters to follow this convention, as well, when practicable. Reducing risks associated with reference rates production provides benefits to the public and financial markets, in addition to aiding monetary policy implementation, and the Board may repropose a same-day submission deadline in connection with a future renewal of the FR 2420.

### *Submission Deadline for Part C of FR 2420*

The commenters requested that implementation of the proposed earlier next-day deadline for Part C of FR 2420 be delayed at least until August 1, 2022, or 12 months after the release of the final form and instructions. The commenters argue that this later implementation date is needed for reporting firms to have sufficient time to adjust their internal reporting and control processes to accommodate the earlier reporting deadline. In light of the additional burden for reporting firms, the Board will require compliance with the next-day deadline for Part C, along with other changes to the instructions, starting on September 1, 2022.

### *Changes to Instructions*

One commenter opposed several additions to the FR 2420 instructions, including provisions concerning securities lending, CDARS, and insured cash sweep transactions. Regarding securities lending transactions collateralized by cash, the commenter inquired why these transactions would be considered selected deposits. With respect to CDARS and insured cash sweep transactions, the commenter asserted that the proposed additions to the instructions may entail a significant increase in firms' reporting burden, as the added language appeared to require data that may not be in the possession of reporting firms, but rather third parties. In response to the concerns raised by the commenter, the Board will not include the proposed additions concerning securities lending, CDARS, and insured cash sweep transactions in the final instructions.<sup>5</sup>

The Board adopted the remaining revisions to the FR 2420 as proposed.

On January 24, 2022, the Board published a final notice in the *Federal Register* (87 FR 3539).

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 2420 is 100,700 hours, and would increase to 111,675 with the proposed revisions. The Board estimates that the average hours per response would increase by 0.2 hours for commercial banks, savings associations, U.S. branches and agencies of foreign banks, and significant banking organizations; and increase by 0.1 hours for IBFs. These reporting requirements represent approximately 1.4 percent of the Board's total paperwork burden.

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<sup>5</sup> The commenters also noted that the proposed reporting instructions were not made publicly available at the time the proposal was published in the *Federal Register* and requested that certain proposed changes to the instructions not be adopted as a result. The initial *Federal Register* notice stated that copies of the reporting form and instructions could be requested from the Board's clearance officer, who was also identified in the notice. In response to the commenters' letter, the proposed form and instructions were provided to the commenters and posted on the Board's public website.

<b>FR 2420</b>	<i>Estimated number of respondents<sup>6</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
Commercial banks and savings associations	98	250	1.8	44,100
U.S. branches and agencies of foreign banks	82	250	1.8	36,900
International Banking Facilities	77	250	1.0	19,250
Significant banking organizations	1	250	1.8	<u>450</u>
<i>Current Total</i>				100,700
<b>Proposed</b>				
Commercial banks, savings associations, U.S. branches and agencies of foreign banks, and significant banking organizations	181	250	2.0	90,500
International Banking Facilities	77	250	1.1	<u>21,175</u>
<i>Proposed Total</i>				111,675
<i>Change</i>				10,975

The estimated total annual cost to the public for the FR 2420 is \$5,956,405, and would increase to \$7,836,617 with the proposed revisions.<sup>7</sup>

### **Sensitive Questions**

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

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

The estimated total annual cost to the Federal Reserve System for collecting and processing the FR 2420 is \$549,400. The estimated one-time cost to implement the revised report is \$260,100.

<sup>6</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>7</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/>.