

**Supporting Statement for the
Reports of Foreign Banking Organizations
(FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125)**

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, with revision, the Reports of Foreign Banking Organizations (FR Y-7N, FR Y-7NS, and FR Y-7Q; OMB No. 7100-0125). The FR Y-7N and FR Y-7NS collect financial information for certain¹ non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company (BHC), financial holding company (FHC), or U.S. bank. For purposes of these reports, an FBO is a foreign bank that operates a branch, agency, or commercial lending company subsidiary in the United States; controls a bank in the United States; or controls an Edge corporation acquired after March 5, 1987.² FBOs file the FR Y-7N quarterly or annually or the FR Y-7NS annually predominantly based on asset size thresholds. The FR Y-7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually.

The Board proposes to revise the FR Y-7Q report by: (1) adding a line item on Part 1A., Capital and Asset Information for the Top-tier Banking Organization, to collect the total combined U.S. assets net of intercompany balances and transactions, based on a quarterly average; (2) removing the option of filing on a fiscal year basis and requiring respondents to file on a calendar period basis; (3) changing the due date from 90 days to 30 days after the quarter-end for quarterly filers and from 90 days to 45 days after the quarter-end for annual filers; (4) removing line item 8, as-of financial date, in Part 1A; (5) removing line item 6, as-of financial date, in Part 2; and (6) making other minor clarifications and conforming edits to the form and instructions. The proposed changes would be effective with the FR Y-7Q submission for the December 31, 2022 as-of date. The FR Y-7N and FR Y-7NS would not be revised.

The current estimated total annual burden for the FR Y-7Q is 2,100 hours and would increase to 2,610 due to the proposed revisions. 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 International Banking Act of 1978 (IBA) establishes a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the Bank Holding Company Act of 1956. The Federal Reserve uses the data collected on the FR Y-7N, FR Y-7NS, and FR Y-7Q to assess an FBO's ability to be a

¹ Filing thresholds for each respective report are defined within the "Description of Information Collection" section of this document.

² 12 CFR 211.21(o).

continuing source of strength to its U.S. operations and to determine compliance with applicable U.S. laws and regulations. In addition, the FR Y-7Q collects consolidated regulatory capital information from all FBOs, which the Federal Reserve uses to assess the FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

Description of Information Collection

The FR Y-7N consists of an income statement and a balance sheet; schedules that collect information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet data items, and loans; and a memoranda section. All FBOs file the FR Y-7N quarterly for their significant nonbank subsidiaries that do not have a primary U.S. regulator other than the Federal Reserve System. Subsidiaries are defined as significant if they have total assets of at least \$1 billion or off-balance-sheet activities (including commitments to purchase foreign currencies and U.S. dollar exchange, all other futures and forwards contracts, option contracts, and the notional value of interest rate swaps, exchange swaps and other swaps) of \$5 billion or more, as of the end of a quarter. FBOs must commence quarterly reporting for a subsidiary at the end of the quarter in which the subsidiary meets the significance threshold, and must continue to file quarterly for the remainder of a calendar year even if the subsidiary no longer satisfies the size requirement for quarterly filing of the FR Y-7N.³

The FR Y-7N is filed annually, as of December 31, for each individual nonbank subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least \$500 million.

The FR Y-7NS is an abbreviated reporting form that collects net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-7NS is filed annually, as of December 31, by top-tier FBOs for each individual nonbank subsidiary that does not have a primary U.S. regulator other than the Federal Reserve System (and does not meet the filing criteria for filing the FR Y-7N) with total assets greater than or equal to \$250 million.

The FR Y-7Q collects consolidated capital and asset information from all FBOs. Part 1 of the reporting form currently collects the following information: tier 1 capital; total risk-based capital; risk-weighted assets; total consolidated assets; total combined assets of U.S. operations; net of intercompany balances and transactions between U.S. domiciled affiliates, branches, and agencies; and total U.S. non-branch assets. In addition, an FBO that files the FR Y-7Q because it has made an effective election to be treated as an FHC also must provide separate capital schedules on Part 2 of the FR Y-7Q quarterly for each lower-tier FBO operating a branch, agency, Edge or agreement corporation, or commercial lending company in the United States. Part 1A of the FR Y-7Q is filed quarterly by FBOs if the top-tier FBO or any FBO in its tiered structure has made an effective election to be treated as an FHC and by FBOs with total consolidated assets of \$50 billion or more, regardless of FHC status. Part 1B of the FR Y-7Q is filed quarterly by FBOs with combined U.S. assets of \$100 billion or more, or combined U.S. assets of less than \$100 billion but total consolidated assets of \$250 billion or more. The

³ Certain filing thresholds related to the FR Y-7N and FR Y-7NS were modified for reporting periods through December 31, 2021. See 85 FR 77345 (December 2, 2020).

FR Y-7Q is filed annually if the FBO or any FBO in its tiered structure has not effectively elected to be an FHC and the FBO has total consolidated assets of less than \$50 billion.

Respondent Panel

The FR Y-7N, FR Y-7NS, and FR Y-7Q panel comprises top-tier FBOs that are required to submit the FR Y-7N and FR Y-7NS reports for their nonbank subsidiaries based on the filing criteria discussed above, as well as top-tier FBOs that file the FR Y-7Q report based on the filing criteria discussed above.

Proposed Revisions to the FR Y-7Q

The Board proposes to add an additional line item on Part 1A., Capital and Asset Information for the Top-tier Foreign Banking Organization, to collect the total combined U.S. assets net of intercompany balances and transactions on a quarterly average basis. This line item would be used for analytical purposes to track the growth of FBOs in the U.S. and to make reporting more consistent with the reporting of total combined assets of U.S. operations, net of intercompany balances and transactions in the Systemic Risk Report (FR Y-15; OMB No. 7100-0352), which is filed by some FBOs.

The Board also proposes to revise the FR Y-7Q report to remove the option of filing on a fiscal year basis and to instead require the respondent to file on a calendar period basis. As of December 31, 2020, only approximately five percent of respondents submitted the FR Y-7Q on a fiscal year basis. The elimination of the fiscal filing basis would be consistent with other Federal Reserve regulatory reports. The change also would enhance the Board's ability to monitor FBOs that may be approaching the asset threshold to file the FR Y-15, as well as to provide data on the same filing frequency basis as with the U.S. legal entity regulatory report forms (i.e., Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128), Consolidated Reports of Condition of Income (FFIEC 031/041/051; OMB No. 7100-0036)). In addition, the change would enable calculations for Regulation TT assessments to be made at the same speed and efficiency as for domestic-only holding companies, which file the FR Y-9C.

Additionally, the Board proposes to change the filing deadline from 90 days after quarter-end to 30 days after quarter-end for quarterly filers and from 90 days after quarter-end to 45 days for annual filers. Shortening the reporting deadline will allow for more timely analysis needed for effective FBO supervision. The efficiency gain will also allow for a more expedient process for Supervision staff to have a full picture of the FBO's financial structure from parent company global and U.S. assets, consistent with the FBO's legal entities. The instructions were modified, effective December 31, 2021, to note that respondents would have the option to submit the FR Y-7Q report electronically via Reporting Central. Electronic filing provides respondents with a more efficient option to submit the FR Y-7Q report.

Finally, the Board proposes to remove line item 8, as-of financial date, in Part 1A and line item 6, as-of financial date, in Part 2, as the elimination of the fiscal year basis reporting makes these items unnecessary. The Board also proposes to make other minor clarifications and conforming edits to the form and instructions.

Time Schedule for Information Collection

FBOs are required to file the FR Y-7N (quarterly or annual) and FR Y-7NS reports 60 calendar days after the report date. All FBOs are currently required to file the FR Y-7Q within 90 calendar days after the report date, which would be revised to be 30 days after the report date for quarterly filers and 45 days after the report date for annual filers.

Public Availability of Data

The Board does not publicly release information collected through the FR Y-7N, FR Y-7NS, and FR Y-Q reports.

Legal Status

The FR Y-7N, Y-7NS, and Y-7Q are authorized by the Bank Holding Company Act (BHC Act)⁴ and International Banking Act.⁵ The FR Y-7N, Y-7NS, and Y-7Q are additionally authorized by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.⁶ The FR Y-7N, Y-7NS, and Y-7Q are mandatory.

The information contained on the FR Y-7N, Y-7NS, and Y-7Q is generally not considered confidential unless an applicant requests confidential treatment in accordance with the Board's Rules Regarding Availability of Information.⁷ Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided on the FR Y-7N, Y-7NS, and Y-7Q may be exempt from disclosure pursuant to exemption 4 of the Freedom of Information Act (FOIA) if it is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent.⁸ Submissions of the FR Y-7N, Y-7NS, and Y-7Q may also contain personnel and medical files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, which are protected under exemption 6 of the FOIA;⁹ or information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, which are protected under exemption 8 of the FOIA.¹⁰

Consultation Outside the Agency

⁴ 12 U.S.C. § 1844(c) (authorizing the Board to require bank holding companies and subsidiaries to submit reports on their financial condition and compliance with federal law).

⁵ 12 U.S.C. §§ 3105(c), 3106(c), and 3108 (authorizing the Board to extend the reporting requirements of the BHC Act to branches, agencies, and affiliates of FBOs, including nonbanks).

⁶ 12 U.S.C. § 5365 (directing the Board to establish enhanced prudential standards for certain companies, including certain FBOs).

⁷ 12 CFR 261.17.

⁸ 5 U.S.C. § 552(b)(4).

⁹ 5 U.S.C. § 552(b)(6).

¹⁰ 5 U.S.C. § 552(b)(8).

There has been no consultation outside the Federal Reserve System with respect to this proposal.

Public Comments

On May 27, 2022, the Board published an initial notice in the *Federal Register* (87 FR 32164) requesting public comment for 60 days on the extension, with revision, of the FR Y 7N, FR Y 7NS. The comment period for this notice will expire on July 26, 2022.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-7N, FR Y-7NS, and FR Y-Q is 2,100 hours, and would increase to 2,610 due to the addition of a new line item in the FR Y-7Q report. All other proposed changes have no impact on burden. The estimated number of respondents is based on the actual respondent counts as of December 31, 2020. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR Y-7N, FR Y-7NS, and FR Y-Q	<i>Estimated number of respondents</i> ¹¹	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR Y-7N (quarterly)	28	4	7.6	851
FR Y-7N (annual)	14	1	7.6	106
FR Y-7NS	18	1	1	18
FR Y-7Q (quarterly)	120	4	2.25	1,080
FR Y-7Q (annual)	30	1	1.5	<u>45</u>
<i>Current Total</i>				2,100
Proposed				
FR Y-7N (quarterly)	28	4	7.6	851
FR Y-7N (annual)	14	1	7.6	106
FR Y-7NS	18	1	1	18
FR Y-7Q (quarterly)	120	4	3.25	1,560
FR Y-7Q (annual)	30	1	2.5	<u>75</u>
<i>Proposed Total</i>				2,610

¹¹ Of these respondents, 2 FR Y-7N (quarterly) filer; 3 FR Y-7N (annual) filers; and 18 FR Y-7NS filers 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.

The estimated total annual cost to the public for these collections of information is \$126,945 and would increase to \$157,775 with the proposed revisions.¹²

Sensitive Questions

These collections of information contain 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 these reports is \$134,950 per year.

¹² 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 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/>.