

**Supporting Statement for
Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies
(FR Y-11, FR Y-11S; OMB No. 7100-0244) and
Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations
(FR 2314, FR 2314S; OMB No. 7100-0073)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with minor revision, the following mandatory reports, for implementation March 31, 2011:

- (1) the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11; OMB No. 7100-0244) and
- (2) the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; OMB No. 7100-0073).

This family of reports also contains the following reports, which are not being revised:

- (1) the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11S; OMB No. 7100-0244) and
- (2) the Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S; OMB No. 7100-0073).

The FR Y-11 reporting forms collect financial information for individual non-functionally regulated U.S. nonbank subsidiaries of domestic bank holding companies (BHCs). BHCs file the FR Y-11 on a quarterly or annual basis or the FR Y-11S annually based on size thresholds. The FR Y-11 data are used with other BHC data to assess the condition of BHCs that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations. The FR 2314 reporting forms collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks (SMBs), Edge and agreement corporations, and BHCs. Parent organizations (SMBs, Edge and agreement corporations, or BHCs) file the FR 2314 on a quarterly or annual basis or the FR 2314S annually based on size thresholds. The FR 2314 data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

The Federal Reserve proposes to revise the FR Y-11 and FR 2314 reporting forms and instructions to clarify the reporting of the net change in fair values of financial instruments accounted for under a fair value option. Also, the Federal Reserve proposes to revise the reporting of restructured loans and leases. Lastly, the Federal Reserve requests latitude to modify proposed revisions to the FR Y-11/S and FR 2314/S that are appropriate and consistent with any revisions to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) proposed for implementation in 2011.

Copies of the proposed FR Y-11 and FR 2314 form and instructions, marked to show the revision, are provided in the attachment. The total current annual burden for the FR Y-11/S and

FR 2314/S is estimated to be 19,508 and 20,560 hours, respectively. The Federal Reserve believes that the increase to the burden for the FR Y-11 and FR 2314 reports would be negligible based on the proposed revisions and, therefore, the average ongoing annual burden for the FR Y-11/S and FR 2314/S reports would remain unchanged from current estimates.

Background and Justification

The FR Y-11 family of reports collects financial information for individual U.S. nonbank subsidiaries of domestic BHCs, which is essential for monitoring the subsidiaries' potential impact on the BHC or its subsidiary banks' condition. Consolidated and parent company only data do not reveal the extent of the problems that may exist within the nonbank subsidiaries because the size and operations of bank subsidiaries can mask the operations of nonbank subsidiaries in a consolidated report.

In addition to providing information used in the supervision of BHCs, the FR Y-11 family of reports provides essential information to assist the Federal Reserve Board in the formulation of regulations and supervisory policies. The data are also used by the Federal Reserve Board to respond to requests from Congress and the public for information on BHCs.

The FR 2314 family of reports is the only source of comprehensive and systematic data on the assets, liabilities, and earnings of foreign subsidiaries of U.S. banking organizations and the data are used to monitor the growth, profitability, and activities of these foreign companies. The data help the Federal Reserve identify present and potential problems of these companies, monitor their activities in specific countries, and develop a better understanding of activities within the industry and within specific institutions. This information, coupled with information from the Foreign Branch Reports of Condition (FFIEC 030; OMB No. 7100-0071), provides a picture of the breadth and scope of international banking operations for U.S. banking organizations both individually and in the aggregate.

Description of the Information Collection

FR Y-11 and FR Y-11S

Domestic BHCs file the FR Y-11 for their U.S. nonbank subsidiaries. The FR Y-11 consists of an income statement and balance sheet, schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items and loans, and a memoranda section. The FR Y-11 is filed quarterly, as of the last calendar day of March, June, September, and December, by a top-tier BHC for each individual nonbank subsidiary that it owns or controls if the top-tier BHC files the FR Y-9C and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier BHC's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier BHC's consolidated operating revenue. The FR Y-11 is filed annually, as of December 31, by top-tier BHCs for each individual nonbank subsidiary (that does not meet the criteria for filing quarterly) with total assets of at least \$250 million, but less than \$1 billion.

The FR Y-11S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR Y-11S is filed annually, as of December 31, by top-tier BHCs for each individual nonbank subsidiary (that does not meet the criteria for filing the detailed report) with total assets of at least \$50 million, but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

FR 2314 and FR 2314S

The FR 2314 collects financial information for direct or indirect foreign subsidiaries of U.S. SMBs, Edge and agreement corporations, and BHCs. The FR 2314 consists of an income statement and balance sheet; schedules that collect information on changes in equity capital, the allowance for loan and lease losses, off-balance-sheet data items, and loans; and a memoranda section. A parent U.S. banking organization must file the FR 2314 quarterly as of the last calendar day of March, June, September, and December for its subsidiary if the subsidiary is owned or controlled by a parent U.S. BHC that files the FR Y-9C or a SMB or an Edge or agreement corporation that has total consolidated assets equal to or greater than \$500 million and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier organization's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier organization's consolidated operating revenue. The FR 2314 is filed annually for each individual subsidiary (that does not meet the criteria for filing quarterly) with total assets of at least \$250 million, but less than \$1 billion.

The FR 2314S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR 2314S is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing the detailed report) with assets of at least \$50 million but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

Proposed Revisions to the FR Y-11 and FR 2314

The Federal Reserve proposes to revise the item caption for Schedule IS, Income Statement, Memorandum item 2, Net change in fair values of financial instruments accounted for under a fair value option, by adding the parenthetical (included in items 5.a.(3), 5.a.(6), 5.a.(10) and 5.b. above). Schedule IS, Memoranda item 2 instructions currently state that respondents only include net change in fair value included in noninterest income from nonrelated organizations. However, respondents should also include the net change in fair value included in trading revenue, net servicing fees, and other noninterest income from nonrelated and related organizations. The Federal Reserve would also make the corresponding instructional revision.

To be consistent with revisions proposed to the FR Y-9C, the Federal Reserve proposes to clarify the caption for Schedule BS-A, Loans and Lease Financing Receivables, data item 7.d, Restructured loans and leases, to clearly indicate that the loans to be reported in this item should be troubled debt restructurings and to exclude leases. Under generally accepted accounting principles, troubled debt restructurings do not include changes in lease agreements. Also

consistent with the proposed change to the FR Y-9C, the Federal Reserve proposes to revise the instructions for this item to include (currently excluded) loans to individuals for household, family, and other personal expenditures, and all loans secured by 1-4 family residential properties whose terms have been modified in troubled debt restructurings.

These revisions would be effective as of March 31, 2011.

Reporting Criteria

The Federal Reserve reviewed the current reporting criteria and determined that revising the reporting criteria is not warranted at this time given the financial regulatory reform mandate to supervise and examine nonbank subsidiaries. The nonbank subsidiary reports are the only source of information available for individual nonbank subsidiaries.

Frequency

The Federal Reserve recommends no changes to the reporting frequency of the FR Y-11/S and FR 2314/S. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

Time Schedule for Information Collection

The quarterly FR Y-11 and FR 2314 are filed as of the end of March, June, September, and December and are submitted within 60 days after the as-of date. Meeting the thresholds for filing quarterly is self determined by the respondent and ascertained as of the reporting date. The annual FR Y-11, FR Y-11S, FR 2314, and FR 2314S are filed as of the end of December and are also submitted within 60 days after the as-of date. The data from the FR Y-11 and FR 2314 that are not given confidential treatment are available to the public, but are not published routinely.

Legal Status

The Board's Legal Division has determined that the FR Y-11 reports are authorized by Section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)). The Board's Legal Division has determined that the FR 2314 reports are authorized under (12 U.S.C. §§ 324, 602, 625, 1844(c)). Overall, the Federal Reserve does not consider these data to be confidential. However, a respondent may request confidential treatment pursuant to sections (b)(4), (b)(6), and (b)(8) of the Freedom of Information Act (5 U.S.C. §§ 552(b)(4), (b)(6), (b)(8)). The applicability of these exemptions would need to be determined on a case-by-case basis.

Consultation Outside the Agency

On November 3, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 67721) requesting public comment for 60 days on the extension, with minor revision, of this information collection. The comment period for this notice expires on January 3, 2011.

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimates of Respondent Burden

As shown in the following table, the current annual reporting burden for the FR Y-11/S and FR 2314/S reports is estimated to be 19,508 hours and 20,560 hours, respectively. The Federal Reserve believes that the increase to the burden for the FR Y-11 and FR 2314 reports would be negligible based on the proposed revisions and, therefore, the average ongoing annual burden for this family of reports would remain unchanged from current estimates. The reporting requirements for the FR Y-11, FR Y-11S, FR 2314, and FR 2314S reports represent less than 1 percent of total Federal Reserve System annual burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR Y-11 (quarterly)	587	4	6.8	15,966
FR Y-11 (annual)	407	1	6.8	2,768
FR Y-11S	<u>774</u>	1	1.0	<u>774</u>
<i>Total</i>	1,768			19,508
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FR 2314(quarterly)	621	4	6.6	16,394
FR 2314 (annual)	512	1	6.6	3,379
FR 2314S	<u>787</u>	1	1.0	<u>787</u>
<i>Total</i>	1,920			20,560

The total estimated annual cost to the public of the FR Y-11 and FR 2314 reports is \$821,287 and \$865,576¹, respectively.

¹ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$48, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing the FR Y-11 are estimated to be \$302,500 per year. With the revisions the estimated costs will increase to \$309,900 per year. The one-time costs to implement the revised report are estimated to be \$12,500. Current costs to the Federal Reserve System for collecting and processing the FR 2314 are estimated to be \$182,400 annually. With the revisions the estimated costs will increase to \$184,300 per year. The one-time costs to implement the revised report are estimated to be \$9,500.