

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 revision, the following mandatory reports:

- (1) the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11; OMB No. 7100-0244),
- (2) the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; OMB No. 7100-0073),
- (3) the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11S; OMB No. 7100-0244), and
- (4) 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 holding companies (i.e., bank holding companies, savings and loan holding companies, securities holding companies, and intermediate holding companies). Holding companies file the FR Y-11 on a quarterly or annual basis or the FR Y-11S on an annual basis, predominantly based on whether the organization meets certain asset size thresholds. The FR Y-11 data are used with other holding company data to assess the condition of holding companies 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 holding companies (i.e., bank holding companies, savings and loan holding companies, securities holding companies, and intermediate holding companies). Parent organizations (SMBs, Edge and agreement corporations, or holding companies) file the FR 2314 on a quarterly or annual basis, or the FR 2314S on an annual basis, predominantly based on whether the organization meets certain asset 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 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 instructions for Schedule IS and related line item captions on the reporting form to remove the term “extraordinary items” and replace it with “discontinued operations” on the Financial Statements of U.S. Nonbank Subsidiaries of U.S.

Holding Companies (FR Y-11), and the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314). These revisions reflect ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,” issued by the Financial Accounting Standards Board in 2015. The Federal Reserve also proposes to replace report form captions and instructions referencing “Loans net of unearned income” with “Loans held for investment” on all applicable reports. The modifications would be effective for reports submitted on or after October 1, 2017, beginning with the reports reflecting the September 30, 2017, report date.

The current annual reporting burden for the FR Y-11 and FR 2314 reports is estimated to be 19,107 hours and 15,819 hours, respectively. The proposed revisions would have a negligible impact and the estimated reporting burden is not expected to change.

Background and Justification

The FR Y-11 family of reports collects financial information for individual U.S. nonbank subsidiaries of domestic holding companies, which is essential for monitoring the subsidiaries’ potential impact on the holding company 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 holding companies, the FR Y-11 family of reports provides essential information to assist the Federal Reserve in the formulation of regulations and supervisory policies. The data are also used by the Federal Reserve to respond to requests from Congress and the public for information on holding companies.

The FR 2314 family of reports is the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign nonbank 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. holding companies both individually and in the aggregate.

Description of the Information Collection

FR Y-11 and FR Y-11S

Domestic holding companies file the FR Y-11 reports 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, loans, and a memoranda section. A top-tier holding company must file the FR Y-11 quarterly for each nonbank subsidiary that it owns and controls if the top-tier holding company has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs and the subsidiary meets any one of the following criteria: (a) total assets of \$1 billion or more, (b) total off-balance-sheet activities of at least \$5 billion, (c) equity capital of at least 5 percent of the top-tier holding company's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier holding company's consolidated operating revenue. The FR Y-11 is filed annually, as of December 31, by top-tier holding companies for each individual nonbank subsidiary that does not meet the criteria for filing quarterly with total assets of at least \$500 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 holding companies for each individual nonbank subsidiary that does not meet the criteria for filing the FR Y-11 with total assets of at least \$250 million, but less than \$500 million.

FR 2314 and FR 2314S

The FR 2314 reports collect financial information for direct or indirect foreign subsidiaries of U.S. SMBs, Edge and agreement corporations, and holding companies. 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, 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. holding company that has total consolidated assets of \$500 million or more as of June 30 of the preceding year or files the FR Y-9C to meet supervisory needs, or the subsidiary is owned or controlled by 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, (b) total off-balance-sheet activities of at least \$5 billion, (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, as of December 31, for each individual subsidiary that does not meet the criteria for filing quarterly and that has total assets of at least \$500 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 FR 2314 with assets of at least \$250 million but less than \$500 million.

Frequency

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

Time Schedule for Information Collection

Holding companies are required to file the quarterly FR Y-11 and FR 2314 as of the end of March, June, September, and December, and must submit them within sixty 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 FR Y-11 annual, FR Y-11S, FR 2314 annual, and FR 2314S are filed as of December 31st and are also submitted within sixty 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, FR Y-11S, FR 2314, and FR 2314S reports are mandatory and authorized by section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); section 10(b) of the Homeowners' Loan Act (12 U.S.C. § 1467a(b)(2)); section 165 of the Dodd-Frank Act (12 U.S.C. § 5365) (intermediate holding companies only); sections 8 and 13 of the International Banking Act (12 U.S.C. §§ 3106, 3108), and section 618 of the Dodd-Frank Act (12 U.S.C. § 1850a). Collection of information from non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks, and Edge and agreement corporations filing the FR 2314 series of reports is authorized under sections 9(6), 25(7) and 25A(17) of the Federal Reserve Act, (12 U.S.C. §§ 324, 602, and 625, respectively).

Overall, the Board does not consider these data to be confidential. However, a respondent may request confidential treatment pursuant to section (b)(4) of the Freedom of Information Act, 5 U.S.C. § 552(b)(4).

Consultation Outside the Agency

On July 18, 2017, the Board published a notice in the Federal Register (82 FR 32812) requesting public comment for 60 days on the proposal to extend with revision the FR Y-9C, FR Y-9LP, FR Y-7N, and FR 2886b; and to extend without revision the FR Y-9ES, FR Y-9CS, FR Y-7NS, and FR Y-7Q. The comment period expires on September 18, 2017.

Sensitive Questions

This collection of information contains 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 burdens for the FR Y-11 and FR 2314 reports are estimated to be 19,107 hours and 15,819 hours, respectively. 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 respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i><u>Current</u></i>				
FR Y-11 (quarterly)	634	4	6.8	17,244
FR Y-11 (annual)	230	1	6.8	1,564
FR Y-11S	<u>299</u>	1	1.0	<u>299</u>
<i>Total</i>	1,163			19,107
<i><u>Current</u></i>				
FR 2314 (quarterly)	523	4	6.6	13,807
FR 2314 (annual)	256	1	6.6	1,690
FR 2314S	<u>322</u>	1	1.0	<u>322</u>
<i>Total</i>	1,101			15,819

The total estimated annual cost to the public of the FR Y-11 reports is \$1,048,974. The total estimated annual cost to the public of the FR 2314 reports is \$868,463.²

¹ Of the respondents required to comply with this information collection, 405 FR Y-11 filers and 388 FR 2314 filers are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

² 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 \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016, published March 31, 2017 <http://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The current cost to the Federal Reserve System for collecting and processing the FR Y-11 and FR Y-11S is estimated to be \$54,800 per year and the current cost for collecting and processing the FR 2314 and FR 2314S is estimated to be \$32,500 per year.