

**Supporting Statement for the
Country Exposure Report for U.S. Branches and Agencies of Foreign Banks
(FFIEC 019; OMB No. 7100-0213)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, without revision, the Federal Financial Institutions Examination Council (FFIEC) Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019; OMB No. 7100-0213). The Board submits this request on behalf of the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC). No separate submission will be made by either of those agencies. The report is required and must be submitted quarterly by all individual U.S. branches and agencies of foreign banks that have total direct claims on residents of foreign countries in excess of \$30 million. Each reporting branch or agency provides information for supervisory purposes on its direct and indirect claims, total adjusted claims on foreign residents, and information on commitments. The current annual burden for the FFIEC 019 is estimated to be 6,240 hours.

Background and Justification

The FFIEC implemented the FFIEC 019 report in June 1986 in response to supervisory concerns relating to funding practices of certain U.S. branches and agencies of foreign banks that were raising funds in the United States and other nations' interbank markets, and then lending the bulk of the funds to home-country residents. Major funding problems emerged for these U.S. offices when the governments of the home countries of the parent banks encountered severe difficulties in servicing their external debt. In 1985 the Board, FDIC, and OCC (the agencies) proposed collection of country exposure information from U.S. branches and agencies in order to supervise their operations more effectively. The FFIEC 019 is an important and unique tool for surveillance and oversight that collects the minimal amount of information needed for supervisory purposes.

Oversight of the liquidity positions of all banking offices in the United States is the primary responsibility of the three federal bank supervisory agencies under the Basel Concordat, which is an understanding among bank regulators of several countries relating to mutual supervision of banks operating in international markets. Quarterly information on significant country risk exposures is very important in measuring and supervising liquidity positions of the branches and agencies of foreign banks, which fund themselves primarily in the U.S. domestic money markets by taking large uninsured deposits from banks, corporations, and individuals. Those branches that are insured by the FDIC also raise funds from retail customers. The financial regulatory agencies need to be able to assess the institutions' ability to repay these deposits, which is jeopardized in branches that have an excessive volume of poor quality or slow paying assets.

One important indicator of potential underlying problems is an excessive concentration by the U.S. branch or agency in assets due from a single country or a small number of countries.

Therefore, the regulatory agencies need to be able to make informed judgments regarding the level of country concentrations within a specific branch or agency, to ensure that these institutions, like domestic banking institutions, are practicing reasonable country risk diversification. The FFIEC 019 assists the agencies in monitoring the extent to which the U.S. branches and agencies are pursuing prudent diversification policies and limiting potential liquidity pressures.

In addition, FDIC-insured branches of foreign banks are subject to an asset maintenance requirement (12 CFR 347.210). Under this requirement, in general, an insured branch must maintain on a daily basis eligible assets in an amount not less than 106 percent of the preceding quarter's average book value of the branch's liabilities, exclusive of liabilities due to related offices of the foreign bank. The FDIC may require that a higher ratio of eligible assets be maintained if the financial condition of the insured branch warrants such action. Among the factors that the FDIC considers in requiring a higher ratio is the concentration of transfer risk to any one country, including the country in which the foreign branch's head office is located. The data from the FFIEC 019 report assist the FDIC in evaluating the existence of such concentrations and determining whether to require that an insured branch maintain a higher ratio of eligible assets than the 106 percent minimum.

In order to limit reporting burden, the FFIEC 019 has been designed to collect the minimum amount of information needed to assess country exposure. The report requires each of the U.S. branches and agencies with claims on foreign parties exceeding \$30 million to report (1) its exposure to borrowers in its home country and (2) each of the next five largest country exposures, provided the exposure exceeds \$20 million. These requirements are considerably less burdensome than the information required of domestic banking institutions on the FFIEC 009 Country Exposure Report (OMB No. 7100-0035), which requires information on all country exposures and requires considerably greater maturity detail. Because smaller institutions are often more likely to encounter funding problems than larger ones, the regulatory agencies do not believe that it is appropriate to increase the minimum exposure level that must be reported.

Description of Information Collection

The FFIEC 019 report must be filed by each U.S. branch or agency of a foreign bank that has total direct claims on foreign residents in excess of \$30 million. The branch or agency reports its total exposure (1) to residents of its home country and (2) to the other five foreign nations to which its exposure is largest and is at least \$20 million. The home country exposure must be reported regardless of the size of the total claims for that nation.

Each reporting branch or agency must report, by country as appropriate, the information on its direct claims (assets such as deposit balances, loans, or securities), indirect claims (which include guarantees), and total adjusted claims on foreign residents, as well as information on commitments. The respondent must also report information on claims on related non-U.S. offices that are included in total adjusted claims on the home country, as well as a breakdown for the home country and each other reported country of adjusted claims on unrelated foreign residents by the sector of borrower or guarantor, and by maturity (in two categories: one year or less, and over one year).

Time Schedule for Information Collection

The FFIEC 019 is filed quarterly as of the last business day of March, June, September, and December. Each reporting branch or agency must file its report with the appropriate Reserve Bank within 45 days of the report date. Because the information contained in the reports is confidential, the information is not published.

Legal Status

Sections 7 and 13 of the International Banking Act (12 U.S.C. 3105 and 3108) authorize the Board to require the report. The report is also authorized by sections 7 and 10 of the Federal Deposit Insurance Act (12 U.S.C. 1817 and 1820) for the FDIC and the National Bank Act (12 U.S.C. 161) as applied through section 4 of the International Banking Act (12 U.S.C. 3102) for the OCC. Individual respondent data are regarded as confidential under the Freedom of Information Act (5 U.S.C. 552(b)(4) and (b)(8)).

Consultation outside the Agency

On April 27, 2018, the Board, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (83 FR 18564) requesting public comment for 60 days on the extension, without revision, of the FFIEC 019. The agencies also requested public comment on whether respondents had potential revisions they would like to see proposed in the future, such as proposed revisions to the existing FFIEC 019 reporting thresholds. The comment period for this notice expired on June 26, 2018. The Board did not receive any comments. On July 30, 2018, the Board published a final notice in the *Federal Register* (83 FR 36592) requesting public comment for 30 days. The comment period for this notice expires on August 29, 2018.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FFIEC 019 is 6,240 hours. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FFIEC 019	156	4	10	6,240

¹ Of the respondents, 22 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/document/support--table-size-standards.

The total annual cost to the public is estimated to be \$349,752.²

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 annual cost to the Federal Reserve System is \$25,300. The Federal Reserve System collects and processes the data for all three of the federal bank regulatory agencies.

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 \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). 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 2017*, published March 30, 2018, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.