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FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), to approve of and assign OMB numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB number.

DATES: Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

ADDRESSES: You may submit comments, identified by *FR 2436* or *FR 3036*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18th and 19th Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

Request for comment on information collection proposals

The following information collections, which are being handled under this delegated authority, have received initial Board approval and are hereby published for comment. At the end of the comment period, the proposed information collections, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following reports:

1. *Report title:* Semiannual Report of Derivatives Activity.

Agency form number: FR 2436.

OMB control number: 7100-0286.

Frequency: Semiannually.

Reporters: U.S. dealers of over-the-counter derivatives.

Estimated annual reporting hours: 3,776 hours.

Estimated average hours per response: 236 hours.

Number of respondents: 8.

General description of report: This information collection is voluntary and is authorized under section 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires the Federal Reserve Board and the Federal Open Market Committee (FOMC) to maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. 225a) and section 12A of the FRA requires the FOMC to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with

regard to their bearing upon the general credit situation of the country (12 U.S.C. 263). Because Federal Reserve System uses the information obtained from the FR 2436 to fulfill these obligations, these statutory provisions provide the legal authorization for the collection of information on the FR 2436.

Additionally, because all survey respondents are currently registered as bank holding companies, this survey is also authorized under section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)).

Because the release of this information would cause substantial harm to the competitive position of the entity from whom the information was obtained, the information collected on the FR 2436 may be granted confidential treatment under exemption (b)(4) of the Freedom of Information Act, 5 U.S.C. 552(b)(4), which protects from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential.”

Abstract: This collection of information complements the triennial Survey of Foreign Exchange and Derivatives Market Activity (FR 3036; OMB No. 7100-0285). The FR 2436 collects similar data on the outstanding volume of derivatives, but not on derivatives turnover. The Federal Reserve conducts both surveys in coordination with other central banks and forwards the aggregated data furnished by U.S. reporters to the Bank for International Settlements (BIS), which publishes global market statistics that are aggregates of national data.

Current Actions: The Federal Reserve proposes to add central counterparties as an additional counterparty type for foreign exchange contracts in Tables 1A, 1B, and 1C, for interest rate contracts in Tables 2A, 2B, and 2C, for equity contracts in Tables 3A, 3B, and 3C, for maturity of contracts in Table 5, and for credit exposures and liabilities in Table 6. The Federal Reserve’s interest in obtaining more detail on counterparty type arises because of the role that counterparty credit risk played in the recent global financial crisis. Central counterparties are of particular interest because after the crisis, financial regulators have encouraged greater use of central counterparties for derivatives contracts. The proposed revision will allow the Federal Reserve to better track the use of central counterparties for all types of derivatives contracts. Currently, central counterparties are broken out for only CDS contracts (Table 4A, 4B, 4C, 4D, 4F, and 4G). In addition, the BIS is expanding its data collection on the global OTC derivatives market to include a breakdown of contracts with central counterparties, and the proposed revision will allow the United States to align its data collection with BIS reporting guidelines.

The Federal Reserve also proposes to amend the definition of central counterparties in the FR 2436 instructions to align more closely with the definition used in capital regulations.¹ Currently, the FR 2436 instructions give a more general definition of central counterparties and then list central counterparties in Annex V. Since the last revision of the FR 2436, many more central counterparties have been established. As a result of these changes, Annex V will be removed.

The Federal Reserve proposes to correct a row heading in Table 5, to update the list of reporting dealers in Annex II, to drop Annex I (a copy of the report form) from the instructions and renumber the remaining annexes, and to make minor corrections to instructions.

¹ See Section 217.2 of 12 CFR Chapter II, Subchapter A.

2. *Report title:* Central Bank Survey of Foreign Exchange and Derivative Market Activity.

Agency form number: FR 3036.

OMB control number: 7100-0285.

Frequency: Triennially.

Reporters: Financial institutions that serve as intermediaries in the wholesale foreign exchange and derivatives market and dealers.

Estimated annual reporting hours: 1,320 hours.

Estimated average hours per response: 55 hours.

Number of respondents: 24.

General description of report: This information collection is voluntary and is implicitly authorized under section 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires the Federal Reserve Board and the Federal Open Market Committee (FOMC) to maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. 225a) and section 12A of the FRA requires the FOMC to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country (12 U.S.C. 263). Because Federal Reserve System uses the information obtained from the FR 3036 to fulfill these obligations, these statutory provisions provide the legal authorization for the collection of information on the FR 3036.²

Because the Federal Reserve believes the release of this information would cause substantial harm to the competitive position of the entity from whom the information was obtained, the information collected on the FR 3036 may be granted confidential treatment under exemption (b)(4) of the Freedom of Information Act, 5 U.S.C. 552(b)(4), which protects from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential."

Abstract: The FR 3036 is the U.S. part of a global data collection that is conducted by central banks once every three years. More than 50 central banks plan to conduct the survey in 2016. The Bank for International Settlements (BIS) compiles aggregate national data from each central bank to produce global market statistics. The Federal Reserve Bank of New York (FRBNY) uses the survey to monitor activity in the foreign exchange and derivatives markets. Survey results also provide perspective on market developments for the Manager of the System Open Market Account, on the Desk's trading relationships, and for planning Federal Reserve and U.S. Treasury foreign exchange operations. Respondents also use the published data to gauge their market share.

² Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Federal Reserve is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from Edge and agreement corporations under section 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)) and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)).

Current Actions: The Federal Reserve proposes the following revisions to the survey:

1. For foreign exchange execution methods, FRBNY would separately collect “dark pools” under electronic-indirect trading, and would clarify what would be reported under “Other electronic communication networks.” (Dark pools are private platforms for trading securities especially for large trade sizes, where access is restricted and quotes are not revealed.) The instructions were changed to provide a definition of dark pools, as well as updated guidance on definitions used for the Execution Method schedule.
2. The category “Others” under electronic-indirect trading would be deleted as this item is being deleted by the BIS. The deletion will ensure the FR 3036 aligns with the BIS survey.
3. The questions on algorithmic and high frequency trading would be deleted as this item is being deleted by the BIS. The deletion will ensure the FR 3036 aligns with the BIS survey.
4. The questions on the number of business days, estimated coverage of the survey and concentration levels, and trading activity trends would be deleted. The FRBNY will coordinate responses to these questions with the Secretary of the New York Foreign Exchange Committee and its Operations Subcommittee. This change will allow for an improvement in data quality as it eliminates issues with dealer weighting and poor response rates.
5. The questions on “retail-driven” transactions would be deleted. The FRBNY will coordinate responses to these questions with the Secretary of the New York Foreign Exchange Committee and its Operations Subcommittee. This change will allow for an improvement in data quality as it eliminates issues with dealer weighting and poor response rates.

Board of Governors of the Federal Reserve System, November 25, 2015.

Robert deV. Frierson,
Secretary of the Board.

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