

**Supporting Statement for the  
Senior Credit Officer Opinion Survey on Dealer Financing Terms  
(FR 2034; OMB No. 7100-to be assigned)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to conduct a voluntary survey, the Senior Credit Officer Opinion Survey on Dealer Financing Terms (FR 2034; OMB No. 7100-to be assigned). This voluntary survey would be conducted with a senior credit officer at each respondent financial institution up to six times a year. The proposed reporting panel consists of up to 25 U.S. banking institutions and U.S. branches and agencies of foreign banks, the majority of which are affiliated with a Primary Government Securities Dealer<sup>1</sup>. The purpose of the proposed survey is to provide qualitative and limited quantitative information on (1) stringency of credit terms, (2) credit availability and demand across the entire range of securities financing and over-the-counter derivatives transactions, and (3) the evolution of market conditions and conventions applicable to such activities. The proposed survey is significantly modeled after the long-established Senior Loan Officer Opinion Survey (FR 2018; OMB No. 7100-0058), which provides qualitative information on changes in the supply of, and demand for, bank loans to businesses and households. A portion of the questions in each administration of the new survey would typically cover special topics of timely interest; however, the sample survey form includes 47 core questions.

Although the Federal Reserve seeks the authority to conduct the survey up to six times a year, the survey is expected to be conducted only four times a year consistent with the FR 2018. The estimated maximum annual burden, based on six surveys, is 450 hours. Consistent with the FR 2018, other types of respondents, such as other depository institutions, bank holding companies, or other financial entities, may be surveyed if appropriate.

The respondents' answers are intended to provide information critical to the Federal Reserve's monitoring of credit markets and capital market activity. As is currently the case with FR 2018, aggregate results from this survey are expected to be made available to the public on the Federal Reserve Board website. Selected aggregate information from the surveys may also be published annually in *Federal Reserve Bulletin* articles and in the Monetary Policy Report to the Congress.

**Background and Justification**

The information obtained from the FR 2018, which has been conducted in different forms since 1964, provides valuable insights on credit market and banking developments and meaningfully informs the formulation of monetary policy. This information has been

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<sup>1</sup> A list of the current Primary Dealers in Government Securities is available at [http://www.newyorkfed.org/markets/pridealers\\_current.html](http://www.newyorkfed.org/markets/pridealers_current.html).

particularly valuable in recent quarters as it has provided the Federal Reserve with insight into the effects of the financial crisis on the availability of credit to households and businesses.

The crisis, however, has also highlighted that a significant volume of credit intermediation has moved outside of the traditional banking sector, which is the primary focus of the FR 2018. In addition, some of the instruments that are commonly used in conjunction with such intermediation (including for the financing of securities positions and over-the-counter derivatives) may have functioned as transmission mechanisms for financial distress during the crisis by connecting together seemingly separate parts of the financial system. In light of these concerns, there is considerable and mounting interest, including from regulators in other jurisdictions and multilateral organizations in which the Federal Reserve is an active participant, in developing enhanced capabilities to track these activities.

For these reasons, and given not only the monetary policy responsibilities of the Federal Reserve but also its present role in promoting and maintaining the stability of the financial system—for example as a member of the newly constituted Financial Stability Board formed at the behest of the G-20 Finance Ministers and Central Bank Governors—it is vital that the regular collection and analysis of information representing the informed judgment of market participants be expanded to include these additional forms of credit extension<sup>2</sup>. However, the activities that would be the focus of this new proposed survey are conducted by a different and smaller subset of market participants than the up to 60 large domestically chartered commercial banks and up to 24 large U.S. branches and agencies of foreign banks that make up the pool of respondents of the FR 2018. And these activities are not conducted solely in a bank but in several different legal entities, necessitating a survey focused on the consolidated entity. Thus there is reason to establish a new, and more precisely targeted, program rather than expand the scope of the existing survey effort.

### **Description of Information Collection**

The questions on the Senior Credit Officer Opinion Survey would generally be qualitative nature. They would be drafted to elicit useful information without imposing undue reporting burden, for example by not requesting information that is already collected through other means. To understand certain market conventions and practices, however, the Federal Reserve may occasionally need to ask specific quantitative questions. When quantitative information would be requested, typically in response to special questions, respondents generally would be asked to provide approximate or rough estimates. A respondent may always decline to answer a particular question when answering would entail excessive burden. Experience with the FR 2018 has shown that only a small number of respondents decline to answer any particular question and that response rates overall have resulted in adequate and informative answers.

The prototype survey instrument consists of 47 questions divided into three broad sections: The first section focuses on credit terms applicable to counterparties of different types, spanning

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<sup>2</sup> The Group of Twenty (G-20) consists of finance ministers and central bank governors from 19 systemically important industrial and developing countries who convene regularly to consider key issues related to global economic stability.

a variety of different transactions. The second section deals with credit terms applicable to over-the-counter derivatives counterparties, distinguishing among contracts referencing different underlying assets. The third section contains questions eliciting information about the financing terms provided for certain securities positions. As noted above, this core set of 47 questions, which would be asked in each administration of the survey, could be augmented with special questions to deal with matters of topical interest.

The survey would be conducted through a web interface designed and maintained by the Federal Reserve Bank of New York (FRB NY), with follow-up as necessary via telephone. The primary contact at each responding institution would be a senior credit officer who has perspective on all relevant activities conducted by the institution, irrespective of which business units or geographic areas these activities are located.

### **Reporting Panel**

The activities that are the focus of the proposed Senior Credit Officer Opinion Survey may be conducted by large financial institutions through multiple business units. For example, a significant volume of securities financing may be conducted from a prime brokerage platform, but this does not preclude other similar activities, perhaps with clients other than hedge funds, from also occurring on trading desks with mandates that include making markets in the securities being financed or on centralized securities financing desks. In a similar vein, over-the-counter derivative transactions may occur on dedicated equity volatility or interest rate derivatives desks that are primarily engaged in derivatives transactions, but can also flow through businesses like corporate credit and commodities that trade both derivatives and the related cash instruments.

Assembling a reporting panel for the proposed survey involves considering firms prominent in prime brokerage, securities financing, or fixed income and equity derivatives or firms with a substantial market presence in businesses such as commodities or corporate credit trading that typically entail both cash and derivatives activities. But the overlap is considerable, with the most significant market participants active in most or all of the relevant areas. A strong indicator for inclusion in the combined group is the presence of an affiliate that is a dealer in government securities. In fact, the prospective panel of 22 firms includes the consolidated entities affiliated with each of the 18 primary dealers. This group would be augmented with a few non-US institutions that, while not primary dealers, play a significant role in some facets of over-the-counter derivatives or securities financing activities.

### **Time Schedule for Information Collection and Publication**

As noted earlier, the survey data generally would be collected by FRB NY and transmitted to the Federal Reserve Board. Data then would be tabulated and summarized in a public release and made available on the Federal Reserve's public website.

### **Legal Status**

The Federal Reserve Board's Legal Division has determined that the Senior Credit Officer Opinion Survey on Dealer Financing Terms is authorized by Sections 2A and 11(a)(2) of the Federal Reserve Act (12 U.S.C. §§ 225a, 248(a)(2), Section 5(c) of the Bank Holding Company Act, (12 U.S.C. § 1844(c), and Section 7(c)(2) of the International Banking Act 3105(c)(2)) and is voluntary. The individual financial institution information provided by each respondent would be accorded confidential treatment under authority of exemption four of the Freedom of Information Act (5 U.S.C. §552 (b)(4)).

**Consultation Outside the Agency and Discussion of Public Comment**

On December 15, 2009, the Federal Reserve published a notice in the *Federal Register* (74 FR 66359) requesting public comment for 60 days on the implementation of the FR 2034 survey. The comment period for this notice expired on February 16, 2010. The Federal Reserve received one comment letter addressing the FR 2034 survey. The comments are summarized and addressed in detail in the final *Federal Register* notice published on March 30, 2010 (75 FR 15708).

**Estimate of Respondent Burden**

As shown in table 1, based on six surveys per year and an average response time of three hours, the total annual burden for the Senior Credit Officer Opinion Survey is estimated to be 450 hours. Actual respondent burden for this survey would likely vary as it does now for the Senior Loan Officer Opinion Survey, depending on how many of the six authorized surveys are actually carried out and on the specific content of each questionnaire. Based on experience with the Senior Loan Officer Opinion Survey, the Federal Reserve estimates that, on average, completion of a typical questionnaire would take about three hours of a respondent's time.<sup>3</sup> The annual burden for the proposed new survey would represent less than 1 percent of total paperwork burden for the Federal Reserve System.

**Table 1**  
**Estimate of Respondent Burden**

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Senior Credit Officer Opinion Survey	25	6	3	450

The total cost to the public is estimated to be \$33,863.<sup>4</sup>

<sup>3</sup> Actual burden underlying the average assumed three-hour response time varies considerably not only from survey to survey, depending on the number and nature of the questions, but also among respondents for any one survey.

<sup>4</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours,

## **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 Federal Reserve's processing costs associated with this survey are nominal.

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multiplied by hourly rate: 15% Administrative or Junior Analyst @ \$25, 30% Managerial or Technical @ \$55, and 55% Senior Management @ \$100. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2007, <http://www.bls.gov/news.release/ocwage.nr0.htm> Occupations are defined using the BLS Occupational Classification System. <http://www.bls.gov/soc/>