

**Supporting Statement for the  
Consolidated Report of Condition and  
Income for Edge and Agreement Corporations  
(FR 2886b; OMB No. 7100-0086)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Consolidated Report of Condition and Income for Edge and Agreement Corporations (FR 2886b; OMB No. 7100-0086). This report is filed quarterly by banking Edge corporations<sup>1</sup> and investment (nonbanking) Edge corporations.<sup>2</sup> This report comprises a balance sheet, income statement, and ten supporting schedules, and it parallels the Reports of Condition and Income (Call Report) (FFIEC 031; OMB No. 7100-0036). Except for examination reports, it provides the only financial data available for these corporations. The Federal Reserve uses the data collected on the FR 2886b to supervise Edge corporations, identify present and potential problems, and monitor and develop a better understanding of activities within the industry. Most Edge corporations are wholly owned by U.S. banks and are consolidated into the financial statements of their parent organizations. However, twenty-five banking Edge corporations with assets of \$15 billion are owned by foreign banks and nonbanking organizations. The Federal Reserve proposes to align FR 2886b schedule titles, identifiers, and ordering of line items with the Call Report, effective with the September 30, 2004, report date. In addition, the Federal Reserve may modify the FR 2886b report consistent with any applicable revisions to the Call Report, ultimately adopted by the FFIEC for implementation in March 2005.

**Background and Justification**

The Federal Reserve has the sole supervisory and regulatory authority over all Edge and agreement corporations, under Sections 25 and 25A of the Federal Reserve Act, regardless of whether they are owned by U.S. or foreign banks or by nonbank companies. Edge corporations have been operating since 1919 and during most of that time have been required to provide some type of financial information to the Federal Reserve.

The immediate predecessor report, the FR 886b, was developed in 1972. Since that time, the report has undergone numerous revisions. In 1990 the requirement for quarterly reporting of income and balance sheet information by banking Edge corporations was extended to investment Edge corporations as well. This increase in reporting activity by investment Edge corporations was prompted by significant growth in investment corporations and the resulting increase in risk exposure.

The Federal Reserve uses the data for several purposes. Information collected on the FR 2886b is used to help plan and target the scope of examinations of Edge corporations and in the evaluation of applications. Data from the FR 2886b are also used to monitor aggregate

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<sup>1</sup> Regulation K defines an Edge corporation as being engaged in banking if it accepts deposits in the United States from nonaffiliated parties as an ordinary part of its business.

<sup>2</sup> The term "Edge corporations," used in this memorandum, refers to both Edge and agreement corporations.

institutional trends, such as growth in assets and the number of offices, changes in leverage, and the types and locations of customers.

As domestic deposit-taking institutions, banking Edge corporations conduct activities that affect the nation's money supply even though they may be treated as "foreign offices" for other reporting purposes. The Federal Reserve uses the FR 2886b data in conjunction with data from the Call Report in the construction of the monetary aggregates, the bank credit series, the nondeposit funds series, and the series on assets and liabilities of commercial banks.<sup>3</sup> In addition, the Federal Reserve uses the data in the construction of the flow of funds accounts. The Federal Reserve uses Edge corporation data to compile structure data on foreign bank activity.

Effective June 30, 2001, a number of revisions were made to the FR 2886b to make it align more consistently with the changes, eliminations and reductions in detail to the Call Report. The confidential treatment for several portions of this report was eliminated. The disclosure of information previously held as confidential was consistent with the treatment afforded to similar information collected on the commercial bank Call Report. Retaining the confidentiality status for Schedule E and Schedule L is consistent to the existing treatment afforded to similar information collected on the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002), and the Foreign Branch Report of Condition (FFIEC 030). In addition, a number of line items were revised or clarified to make them more consistent with generally accepted accounting principles (GAAP).

### **Description of Information Collection**

The FR 2886b report comprises a balance sheet, a report of income and expenses, a schedule reconciling changes in capital and reserve accounts, and ten supporting schedules. This information is collected from all Edge corporations although, as noted in the table below, nonbanking Edge corporations file only three of the ten supporting schedules.

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<sup>3</sup> Data from the FR 2886b are interpolated between quarterly reports to estimate higher frequency data. For dates following the latest quarterly report, values for data items are repeated until the next quarterly report becomes available.

<b>Banking Edge Corporation</b>	<b>Nonbanking Edge Corporation</b>
Balance Sheet	Balance Sheet
Income and Expenses	Income and Expenses
Changes in Capital and Reserve Accounts	Changes in Capital and Reserve Accounts
<i>Supporting Schedules</i>	
Cash and Balances Due From Depository Institutions	
Securities	
Loans and Lease Financing Receivables	
Deposits	
Claims on and Liabilities to Related Organizations	Claims on and Liabilities to Related Organizations
Past Due & Nonaccrual Loans, Leases, and Other Assets	Past Due & Nonaccrual Loans, Leases, and Other Assets
Risk-Based Capital	
Quarterly Averages	
Off-Balance-Sheet Items	Off-Balance-Sheet Items
Branch Schedule of Selected Items	

The FR 2886b respondent panel comprises seventy-eight Edge and agreement corporations: twenty-one banking corporations (deposit taking institutions) and fifty-seven investment corporations. The current form and instructions for completing the FR 2886b are available on the Federal Reserve Board's public web site:

<http://www.federalreserve.gov/boarddocs/reportforms/default.cfm>.

### **Frequency**

The Federal Reserve recommends no change in the frequency of this report. Collection of this information on a quarterly basis is necessary to effectively monitor on an ongoing basis the condition of Edge corporations.

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

The FR 2886b is filed quarterly as of the last calendar day of March, June, September and December. Banking Edge corporations and investment Edge corporations file the balance sheet, report of income and expenses, and supporting schedules within thirty days of the as-of date.

Data from this report are included in several Board statistical releases: the weekly H.6 release, "Money Stock, Liquid Assets, and Debt Measures," the weekly H.8 release, "Assets and Liabilities of Commercial Banks in the United States," and the quarterly Z.1 release, "Flow of

Funds Accounts of the United States." These statistical releases are available on the Federal Reserve Board's public web site: <http://www.federalreserve.gov/publications.htm>.

### Legal Status

The Board's Legal Division has determined that 12 U.S.C. §§602 and 625 authorize the Board to require the FR 2886b. For Edge corporations engaged in banking, information collected on schedules E and L are held confidential pursuant to Section (b)(4) of the Freedom of Information Act (5 U.S.C. § 552(b)(4)). For investment Edge corporations only information collected on Schedule E is given confidential treatment pursuant to Section (b)(4) of the Freedom of Information Act (5 U.S.C. § 552(b)(4)).

### Estimates of Respondent Burden

The FR 2886b respondent panel comprises seventy-eight Edge and agreement corporations: twenty-one banking corporations (deposit taking institutions) and fifty-seven investment corporations. The estimated reporting burden is lower for nonbanking Edge corporations, which file only three supporting schedules, than for banking Edge corporations, which file all ten supporting schedules. The current annual burden is estimated to be 3,173 hours and represents less than 1 percent of the total Federal Reserve burden for all reports. The Federal Reserve believes that the ongoing annual burden for the FR 2886b report would remain unchanged from current estimates and averages.

FR 2886b	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Banking				
Edge corporations	20	4	14.7	1,176
Agreement corporations	1	4	14.7	59
Investment				
Edge corporations	27	4	8.5	918
Agreement corporations	30	4	8.5	1,020
<i>Total</i>	78			3,173

Based on an hourly rate of \$20 the cost to the public of the proposed report is estimated to be \$63,460.

### Estimated Cost to the Federal Reserve System

The current cost to the Federal Reserve System for collecting and processing these data is estimated to be \$82,900.

**Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

**Sensitive Questions**

This information collection contains no questions of a sensitive nature, as defined by OMB guidelines.