

**Supporting Statement for the
Report of Selected Money Market Rates
(FR 2420; OMB No. 7100-0357)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Report of Selected Money Market Rates (FR 2420; OMB No. 7100-0357). The FR 2420 is a transaction-based report that collects daily liability data on federal funds purchased, selected borrowings from non-exempt entities,¹ Eurodollar transactions, and time deposits and certificates of deposits (CDs) from (1) domestically chartered commercial banks and savings associations that have \$18 billion or more in total assets as well as those that have total assets above \$5 billion but less than \$18 billion and meet the activity threshold, (2) U.S. branches and agencies of foreign banks with total third-party assets of \$2.5 billion or more, and (3) significant banking organizations that are active participants in money markets. The FR 2420 also collects daily data on Eurodollar transactions from International Banking Facilities (IBFs) of the above-referenced institutions. The FR 2420 data are used in the publication of the Effective Federal Funds Rate (EFFR) and Overnight Bank Funding Rate (OBFR) and in analysis of current money market conditions.

The Board proposes to add data items to the FR 2420 reporting form concerning short-term bank funding from the Federal Home Loan Banks (FHLBs) in the form of secured borrowings known as advances with one year or less to maturity at origination, as well as interest-bearing deposits placed by FHLBs without a specified maturity. In addition, the Board proposes to add an item to the time deposits section of the FR 2420 requiring respondents to denote which deposits are brokered transactions. The Board proposes to revise the FR 2420 instructions to add guidance related to submission of these new data items. Among other instruction revisions, the Board proposes to remove references to the London Interbank Offered Rate (LIBOR) in the instructions to reflect the cessation of U.S. dollar LIBOR.

The collection of the additional data concerning funding provided by FHLBs to depository institutions would support the Federal Reserve's ability to carry out its monetary policy responsibilities by providing insights into large, key areas of short-term bank funding and money market conditions that are not currently subject to uniform data collection. With the high frequency of FR 2420 reporting, the additional data would improve the Federal Reserve's monitoring of changes in liquidity conditions and money market interest rates. FHLB advances are a key source of bank funding, while interest-bearing demand deposits placed by FHLBs constitute an economically significant amount of intraday and overnight liquidity in the banking system. The additional data concerning brokered time deposits would allow for more effective monitoring of the evolution of funding markets involving brokered transactions as opposed to time deposits from other sources.

¹ A selected borrowing from a non-exempt entity is an unsecured borrowing (an unsecured primary obligation undertaken by the reporting institution as a means of obtaining funds) in U.S. dollars from a counterparty that is a non-exempt entity as derived from Regulation D, section 204.2(a)(1)(vii)(A).

The collection of the proposed data items is consistent with the FR 2420's stated purpose "to monitor market activity in selected money market instruments." The proposed FR 2420 revisions would be effective 12 months after the publication of a final notice in the *Federal Register*, with an approximate January 2026 as of date.

The current estimated total annual burden for the FR 2420 is 119,825 hours, and would increase to 133,825 hours. The proposed revisions would result in an increase of 14,000 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms/>.

Background and Justification

The Board established the FR 2420 in April 2014 to enhance the Federal Reserve's ability to monitor money markets. The Federal Reserve Bank of New York (FRBNY), on behalf of the Federal Reserve, implements temporary open market operations in money markets at the directive of the Federal Open Market Committee (FOMC). Transaction-level data on a variety of money market instruments provides insight into market functioning, allows FRBNY to meet the FOMC's policy directive, and supports the publication of the Effective Federal Funds Rate (EFFR) and the Overnight Bank Funding Rate (OBFR). This information is not available from other sources.

Description of Information Collection

The FR 2420 is a transaction-based report that collects daily liability data on federal funds, selected borrowings from non-exempt entities, Eurodollars, and time deposits and certificates of deposit (CDs). Transactions in these money market instruments are reportable if they are executed on the report date and are denominated in U.S. dollars, are executed in amounts of \$1 million or more, and are conducted at arm's length. Reported information includes the amount of each transaction; the trade date, settlement date, and maturity date of each transaction; the interest rate for each transaction; and the counterparty type involved in each transaction. In addition, since time deposits and CDs may have floating interest rates, several items are collected to better understand their interest rate structure.

Federal Funds Purchased (Part A)

Part A captures data used for the analysis of federal funds market conditions. Federal funds purchased are unsecured borrowings of the reporting institution's U.S. offices from a counterparty that is an exempt entity as defined in Regulation D - Reserve Requirements of Depository Institutions (12 CFR Part 204).

Eurodollars (Part B)

Eurodollars are an important source of funding for U.S.-based banking offices and the Federal Reserve monitors and analyzes the Eurodollar market concurrently with its coverage of the federal funds market. Eurodollars are unsecured liabilities of the reporting institution's non-U.S. offices. IBFs of reporting institutions must also file a separate FR 2420 Part B.

Time Deposits and Certificates of Deposit (Part C)

Data on time deposits and CD transactions improve market monitoring capabilities as they provide otherwise unavailable information. Time deposits and CDs are booked by the reporting institution and may be evidenced by a negotiable or nonnegotiable instrument, or a deposit in book-entry form evidenced by a receipt or similar acknowledgement issued by the bank. Unlike federal funds and Eurodollars, CDs frequently have floating rates. For that reason, the FR 2420 collects additional data fields for reportable CD transactions that are necessary to understand the interest rate structure over the life of each CD. These data items are floating or fixed rate, a step-up indicator, reset period, reference rate and spread information, negotiability, and embedded options.

Selected Deposits (Part D)

Part D captures short-term wholesale unsecured deposits that are economically equivalent to federal funds purchased in Part A or Eurodollars in Part B.

Respondent Panel

The FR 2420 panel comprises certain commercial banks, savings associations, U.S. branches and agencies of foreign banks, IBFs, and significant banking organizations representing entities actively participating in the federal funds and/or other money markets.² Commercial banks and savings associations with \$18 billion or more in total assets on the September 30 Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) each year are required to submit the FR 2420 daily for the following year. Additionally, commercial banks and savings associations with total assets above \$5 billion, but less than \$18 billion, and federal funds activity totaling more than \$200 million on two or more days over the preceding three months are included in the reporting panel. These thresholds currently capture 112 depository institutions, which provide sufficient coverage to have a statistically representative sample. U.S. branches and agencies of foreign banks are required to report daily if third-party assets are \$2.5 billion or more on the September 30 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032). This threshold currently captures the 82 largest U.S. branches and agencies of foreign banks. IBFs of the above-referenced institutions are required to report daily for Eurodollars (Part B) only. This requirement currently captures 83 IBFs. There are currently no institutions deemed a significant banking institution.

The proposed revisions contain no change to criteria for the respondent panel.

Frequency and Time Schedule

The FR 2420 is submitted daily. As the FRBNY uses the data collected from the FR 2420 to calculate the EFR and OFR reference rates for the public each business day, daily

² A significant banking organization is an entity that does not fall within the normal criteria for reporting but, nonetheless, is a participant in money markets whose data is important to the analysis and monitoring of market activity.

submission of the FR 2420 is needed. Daily submission of the data also supports the Federal Reserve's daily monitoring responsibilities for money markets and banking system liquidity. Part of that analysis calculates average rates across products and tenors and follows trends in the aggregate levels of transactions.

With the proposed changes, there are no changes to existing deadlines for the filing of the FR 2420. Respondents are directed to file the proposed Part E concerning FHLB advances by 2:00 p.m. United States Eastern Time one business day after the report date, which mirrors the existing deadline for Part C of FR 2420. Respondents are directed to file the proposed Part F concerning FHLBs' interest-bearing demand deposits by 7 a.m. United States Eastern Time one business day after the report date, which mirrors the existing deadline for Parts A, B, and D of FR 2420.

Proposed Revisions to the FR 2420

The Board proposes to add several fields to the FR 2420 reporting form, with supporting information added to the FR 2420 instructions, to enhance money market monitoring. The Board proposes to add Part E to the reporting form to collect information on depository institutions' secured borrowings via FHLB advances with 1 year or less to maturity at origination. An additional proposed section of the reporting form, Part F, serves to collect information on rates paid by depository institutions for certain non-maturity demand deposits by FHLBs. The Board proposes the addition of one new item in Part C of the reporting form that would denote whether reported time deposits represent brokered transactions.

As discussed above, the proposed additions to the FR 2420 align with the Board's monetary policy mandate. The proposed additions enhance the Federal Reserve's ability to monitor bank funding and money markets, especially under changing conditions.

Domestic banks that are FHLB members rely upon FHLB advances, which are loans secured by collateral, as a key source of funding. Short-term advances with maturities under one year are a widely used alternative to the other wholesale money market sources that are already subject to FR 2420 reporting. The Federal Reserve currently lacks the ability to monitor advance borrowings by all banks subject to FR 2420 reporting with data on the interest rates paid on advances or on dollar volumes of borrowings at a higher frequency than quarterly. In addition, the Federal Reserve currently lacks the ability to monitor volumes and rates for FHLBs' interest-bearing deposits. These deposits represent a significant dollar volume as compared to the other unsecured funding types currently subject to FR 2420 data collection.

Reporting Form Revisions

The Board proposes to add items to the FR 2420 reporting form to collect information on brokered deposits, short-term FHLB advances, and interest-bearing non-maturity deposits placed by FHLBs.

The Board proposes to add a field to the existing Part C of FR 2420 to denote which reported time deposits represent brokered transactions.

The proposed Part E of the reporting form concerns FHLB advances with an original maturity of one year or less. The reporting form fields in Part E would be similar to other data for term instruments reported on the FR 2420. Specifically, covered institutions would be required to report the dollar amount, origination date, settlement date, maturity date, interest rate, day-count convention, the interest rate adjusted for estimated FHLB dividends, whether the advance is fixed- or floating-rate, whether the advance is amortizing, and whether there are embedded options. For floating-rate advances, the spread, reference rate, and reset period would be required. Respondents would report on each business day their outstanding FHLB advances with an original maturity of one year or less.

The proposed Part F of the reporting form concerns interest-bearing demand deposits from FHLBs. The proposed additional reporting form fields in Part F include the dollar amount (i.e., account balance), trade date, interest rate, and day-count convention, reported for each business day.

Instruction Revisions

Proposed instruction changes provide guidance to covered institutions on how to report the proposed items pertaining to brokered deposits, FHLB advances, and deposits by FHLBs. Specific reporting instruction sections are included for FHLB advances and demand deposits by FHLBs, and related definitions are added to the glossary.

Proposed additional instructions for time deposits in Part C include directions to specify a pre-set value for whether a time deposit transaction is brokered or not. Brokered deposits follow the existing definition in the FR 2420 glossary. In addition, references to LIBOR among reference rates in Part C are removed in the proposed revisions, as the production of U.S. dollar LIBOR will have ceased by the proposed implementation date for the revisions.

The instructions regarding FHLB advances in Part E are generally consistent with those for other parts of the FR 2420. For FHLB advances with under one year to maturity at origination, respondents are directed to report the dollar amount of the advance, date on which the advance is originated, date on which funds settle, interest rate, interest rate adjusted for estimated FHLB dividends received by the institution, interest-rate spread for floating-rate advances, and maturity date of the advance. The instructions specify pre-set values for the interest rate's day-count convention, whether the interest rate is fixed or floating, reset period for floating-rate advances, reference rate used for floating-rate advances, whether the advance is amortizing or non-amortizing, and any embedded options in the advance. Institutions are directed to report outstanding advances each business day.

The instructions pertaining to the proposed Part F specify that only interest-bearing demand deposits by FHLBs should be reported. The term "demand deposits" is defined in the glossary. Instructions are provided directing institutions to report the dollar amount (i.e, end-of-day account balance in dollars), trade date, interest rate, and day-count convention for each business day.

Public Availability of Data

No data for specific reporting institutions related to this information collection is made available to the public. The FRBNY uses the aggregated data from Parts A, B, and D of the FR 2420 to publish the EFFR, OBFR, and associated aggregated statistics on its public website each business day.

Legal Status

The FR 2420 is authorized by section 11 of the Federal Reserve Act (FRA) and section 7 of the International Banking Act of 1978 (IBA). Section 11 of the FRA authorizes the Board to require reports from depository institutions as it may deem necessary and authorizes the Board to prescribe reports of liabilities and assets from insured depository institutions to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates (12 U.S.C. § 248(a)). Section 7 of the IBA provides that federal branches and agencies of foreign banks are subject to section 11 of the FRA as if they were state member banks (12 U.S.C. § 3105(c)). The obligation to respond to the FR 2420 is mandatory.

The FRBNY uses aggregate data from the FR 2420 to publish the EFFR, OBFR, and associated statistics daily. The information provided by individual respondents to the FR 2420 is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondents. Responses to the FR 2420 are therefore accorded confidential treatment pursuant to exemption 4 of the Freedom of Information Act (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On September 30, 2024, the Board published an initial notice in the *Federal Register* (89 FR 79592) requesting public comment for 60 days on the extension, with revision, of the FR 2420. The comment period for this notice expires on November 29, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2420 is 119,825 hours, and would increase to 133,825 with the proposed revisions. The Board estimates that the average hours per response would increase by 0.5 hours for commercial banks, savings associations, and significant banking organizations. The burden for U.S. branches and agencies of foreign banks and IBFs would not change. These reporting requirements represent approximately 1.9 percent of the Board's total paperwork burden.

FR 2420	<i>Estimated number of respondents³</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Commercial banks, savings associations, and significant banking organizations	112	250	2.0	56,000
U.S. branches and agencies of foreign banks	82	250	2.0	41,000
International Banking Facilities	83	250	1.1	<u>22,825</u>
<i>Current Total</i>				119,825
Proposed				
Commercial banks, savings associations, and significant banking organizations	112	250	2.5	70,000
U.S. branches and agencies of foreign banks	82	250	2.0	41,000
International Banking Facilities	83	250	1.1	<u>22,825</u>
<i>Proposed Total</i>				133,825
<i>Change</i>				14,000

The estimated total annual cost to the public for the FR 2420 is \$8,369,776, and would increase to \$9,347,676 with the proposed revisions.⁴

Sensitive Questions

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

³ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support-table-size-standards>.

⁴ Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$23, 45% Financial Managers at \$84, 15% Lawyers at \$85, and 10% Chief Executives at \$124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages May 2023*, published April 3, 2024, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR 2420 is \$655,500.