

SUPPORTING STATEMENT

Advanced Capital Adequacy Framework Regulatory Reporting Requirements

FFIEC 101

[OMB Control No. 1557-NEW]

A. Justification.

1. Circumstances that make the collection necessary:

The OCC is requesting approval from the Office of Management and Budget (OMB) to implement the Advanced Capital Adequacy Framework Regulatory Reporting Requirements (Federal Financial Institutions Examination Council (FFIEC) 101). The FFIEC¹ approved implementation of new regulatory reporting requirements for banks that qualify for and adopt the Advanced Capital Adequacy Framework to calculate their risk-based capital requirement or are in the parallel run stage of qualifying to adopt the framework.

Once a bank has adopted its implementation plan, it must complete a satisfactory parallel run before it may use the advanced approaches to calculate its risk-based capital requirements. The parallel run must be a period of at least four consecutive calendar quarters during which the bank meets all of the qualification requirements to the satisfaction of the OCC. During this period, the bank would continue to be subject to the general risk-based capital rules and would simultaneously calculate its risk-based capital ratios under the advanced approaches. The bank would report its risk-based capital ratios under both the general rules and the advanced approaches to the OCC through the supervisory process on a quarterly basis.

2. Use of the information:

The OCC would use the information to assess and monitor the levels and components of each bank's risk-based capital requirements and the adequacy of the entity's capital under the framework. The data would allow the OCC to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the industry. The reporting schedules would assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the framework. The data submitted by banks that is releasable to the public would provide information about banks' risk-based capital. The data would also serve to contribute to the on-site examination processes.

The information would be collected using the form "FFIEC 101." FFIEC 101 contains nineteen schedules, A through S, for banks to submit detailed data on the components of their capital and risk-weighted assets. Only Schedules A, B and S (Items 1-2 only) would be publicly

¹ The OCC, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (Agencies) are members of the FFIEC.

available once a bank has qualified to use the advanced approaches for regulatory capital purposes. Prior to qualification (i.e., parallel run), all information submitted by the respondents will be kept confidential.

Schedule A includes information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital as defined in the NPRM. Schedule B contains: summary information about risk-weighted assets by risk type; and, for credit risk exposures, outstanding balances and aggregated information about the drivers and estimates on which the calculation of risk-weighted assets are based. Schedule S, Items 1-2 contain high level information on operational risk capital.

This publicly available data is intended to provide market participants, depositors, supervisors, and the public with a sufficient level of detail about banks' major capital and risk-weighted assets components and information about the composition of regulatory capital and the risk parameters on which risk-weighted asset calculations are based.

Schedules C-S outline the main components of banks' risk-weighted assets and are an expanded version of the summary data in Schedule B. Schedules C-J include data items within the wholesale exposure category.

Schedules K-O are data items within the retail exposure category and each schedule represents a sub-portfolio of the retail exposure category as listed in Schedule B.

Schedules P and Q are data items within the securitization exposure class.

Schedule R provides: information about a bank's equity exposures by type of exposure and by approach to measuring required capital; and information on equity exposures subject to specific weights and equity exposures to investment funds.

Schedule S provides data within the operational risk exposure class. The data items include details about historical operational losses for the reporting period and those used to model operational risk capital.

The purpose of the detailed reports for credit portfolios is to obtain information that broadly reflects risk segments within each portfolio. The reports would enable the OCC to conduct off-site assessment of banks' regulatory capital calculations, perform trend analyses of capital changes, conduct peer analyses of capital and risk parameters, and direct the focus of on-site examination efforts.

3. Consideration of the use of improved information technology:

Any information technology that permits review by OCC examiners may be used.

4. Efforts to identify duplication:

The required information is unique and is not duplicative of any other information already collected.

There would, however, be a transition period during the parallel run where duplicative information would be produced for a limited period. This is necessary to implement the rule.

5. *Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:*

Not applicable. The collection does not have a significant impact on a substantial number of small entities.

6. *Consequences to the Federal program if the collection were conducted less frequently:*

The OCC would not be able to adequately monitor capital levels and ensure safety and soundness.

7. *Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR Part 1320:*

The information collection would be conducted in a manner consistent with 5 CFR Part 1320.

8. *Efforts to consult with persons outside the agency:*

On September 25, 2006, the agencies published the proposed reporting requirements for 120 days of comment (71 FR 55981) and on December 26, 2006, they extended the comment period for an additional 60 days (71 FR 77520).

The agencies received sixteen comment letters in response to the reporting proposal. The commenters responded to the questions listed below and made other comments, some of which focused on the Pillar 3 disclosure requirements.

Comment was requested on:

- Feasibility of collecting additional information to help isolate the causes of changes in regulatory credit risk-based capital requirements (lookback portfolio approach):
 - The agencies will not pursue the collection of this information at this time but will develop a more comprehensive proposal regarding this information in the future.
- Desirability of using an alternative approach to fixed bands for reporting wholesale and retail schedules:
 - There were favorable comments on the alternative approach, but the agencies have determined that they will retain the fixed band approach for greater comparability among reporting banks.
- Appropriateness of making certain data items available to the public for reporting periods

subsequent to a bank's parallel run period:

- Except for certain information contained in the operational risk schedule (data items 3 through 7) that the agencies proposed to make publicly available, the agencies have determined to move forward with public disclosure on an individual bank basis of all other items contained in Schedules A and B, and data items 1 and 2 only of the operational risk schedule, for reporting periods after the bank has qualified to use the advanced approaches for regulatory capital purposes. These disclosures are consistent with Pillar 3 and will provide valuable information for market participants about a bank's capital structure, risk exposures, and regulatory capital calculations.

Comments Received:

Commenters expressed concerns about:

- Burden: There were many comments about the burden of reporting and whether there was adequate benefit created in terms of the analytical needs of supervisors and the information needs of investors and others.
- The length of time allowed following a quarter-end to file reports with the agencies.
- Public disclosures of certain risk estimates used to calculate risk-weighted assets for credit risk portfolios.
- Public disclosures of certain data items contained in the operational risk schedule.
- The reporting of credit risk portfolios not defined in the proposed rule.
- The reporting of data elements not required for calculation of regulatory capital
- Potential duplication or inconsistencies of the reporting requirements with Pillar 3 disclosures.

Modifications Made:

- Eliminated three schedules and approximately 600 reportable data items.
- Expanded the submission deadlines during a bank's parallel run period.
- Allowed more data items to be reported on an optional basis depending on information availability.
- Provided alternative certification language that focuses on meeting the requirements imposed by the final rule and reporting instructions in contrast to a statement attesting to the accuracy of data items that include parameter estimates.
- Eliminated data items relating to expected loss given default to conform the reporting requirements, instructions, and data item captions to the final rule.

Burden Hours:

The reporting proposal estimated reporting burden at 280 hours per quarter or 1,120 hours per year per respondent.

- These initial estimates were based in large part on estimated time spent by banks in completing the agencies' fourth Quantitative Impact Study (QIS 4), which required submission of similar, albeit not identical, types of information about the risk estimates underlying the risk-based capital calculation under the new framework.

- One commenter also indicated its belief that this burden estimate was significantly understated.
 - Although the number of reported data items have been reduced significantly from the reporting proposal, the burden estimate was revised upward to 625 hours per quarter per respondent. This new number is based upon the time required to complete other types of regulatory reports, the greater level of detail required in these reports relative to other regulatory submissions, and the more formal nature of these reports relative to the QIS 4 study.

9. *Payment or gift to respondents:*

None.

10. *Any assurance of confidentiality:*

The information would be kept confidential except as permitted to be disclosed by means of an exemption under the Freedom of Information Act. 5 U.S.C. § 552.

11. *Justification for questions of a sensitive nature:*

There are no questions of a sensitive nature.

12. *Burden estimate:*

Estimated Number of Respondents: 52 national banks.

Estimated Time per Response: 625 hours.

Estimated Total Annual Burden: 130,000 hours.

Cost of Hour Burden to Respondents:

The OCC estimates the cost of the hour burden to respondents as follows:

130,000 x \$100/hour (combination of various levels of staff) = \$ 13,000,000

Total Hour Burden Cost: \$ 13,000,000

13. *Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12):*

Not applicable.

14. *Estimate of annualized costs to the Federal government:*

Not applicable.

15. Change in burden:

+ 52 national banks; + 625 hours per response; + 130,000 hours.

The program change (increase) is due to the fact that this is a new collection.

16. Information regarding collections whose results are to be published for statistical use:

The OCC has no plans to publish the information for statistical purposes.

17. Reasons for not displaying OMB approval expiration date:

The OCC is not requesting permission to not display the OMB approval expiration date.

18. Exceptions to the certification statement in Item 19 of OMB Form 83-I:

None.

B. Collections of Information Employing Statistical Methods.

Not applicable.