SUPPORTING STATEMENT

Special Reporting, Analysis and Contingent Resolution Plans at Certain Large Insured Depository Institutions

OMB No. 3064-New Collection

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) for clearance of information collection requirements contained in its proposed rule entitled Special Reporting, Analysis and Contingent Resolution Plans at Certain Large Insured Depository Institutions, which was approved for publication in the *Federal Register* by the FDIC Board on May 11, 2010. **The proposed rule would require certain identified insured depository institutions (IDIs) that are subsidiaries of large and complex financial parent companies to submit to the FDIC analysis, information, and contingent resolution plans that address and demonstrate the IDI's ability to be separated from its parent structure, and to be wound down in an orderly fashion.** The IDI's plan would include a gap analysis that would identify impediments to the orderly stand-alone resolution of the IDI, and identify reasonable steps that are or will be taken to eliminate or mitigate such impediments. The contingent resolution plan, gap analysis, and mitigation efforts are intended to enable the FDIC to develop a reasonable strategy, plan or options for the orderly resolution of the institution. **The proposed rule applies only to IDIs with greater than $10 billion in total assets that are owned or controlled by parent companies with more than $100 billion in total assets, a universe of some 40 institutions representing total assets of $8.3 trillion and holding approximately 47.9 percent of all deposits insured by FDIC.**

A. JUSTIFICATION

Among other things, the Federal Deposit Insurance Act sets forth the duties and responsibilities of the FDIC in providing for and maintaining a system of deposit insurance for the nation's insured depository institutions and in resolving troubled insured depository institutions in a manner that presents the least cost to the Deposit Insurance Fund.

As of December 31, 2009, the FDIC insured approximately $4.75 trillion in deposits in more than 8,000 depository institutions. In implementing the deposit insurance program, and in efficiently and effectively resolving failed depository institutions, the FDIC strengthens the stability of the banking system and helps maintain public confidence in the banking industry in the United States. In its efforts to achieve this objective and to implement its insurance and resolution functions, the FDIC requires a comprehensive understanding of the organization, operation and business practices of banks and thrifts in the United States, with particular attention to the nation's largest and most complex IDIs that account for nearly half of the FDIC's insurance risk.

To carry out these core responsibilities, the proposed regulation requires a limited number of the largest IDIs to provide the FDIC with essential information concerning their structure, operations, business practices and financial responsibilities and exposures. The proposed regulation requires these institutions to develop and submit detailed plans demonstrating how such depository institutions could be separated from their affiliate structure and wound down in an orderly and timely manner in the event of receivership. The proposed regulation would also make a critically important contribution to the FDIC's implementation of its statutory receivership responsibilities by providing the FDIC as receiver with the information it needs to make orderly and cost effective resolutions much more feasible.

Furthermore, these detailed plans would have to be updated not less than annually. In addition, if certain material information elements change, that would have to be reported in a special update.

1. Circumstances and Need

Over the past decades, the size and complexity of insured depository institutions have evolved dramatically. More recently, and as a result of the financial crisis, the industry has seen further consolidation and continued expansion in the scope of IDIs' activities, operations, and risks. As a result of continued consolidation of the U.S. banking industry, the FDIC's insurance risk is now concentrated in the largest and most complex IDIs. Today, almost half of the FDIC's deposit insurance exposure is accounted for by fewer than 40 large institutions that exist within even larger conglomerate and multinational structures.

These large and complex IDIs present profound challenges to the FDIC both as insurer and when it must act in its receivership capacity. The complexity of these IDIs, the extensive financial interrelationships within the conglomerates, and the likely presence of competing statutory resolution regimes that may apply to the IDI, its parent corporation and key affiliates, result in opaque structures that prevent the FDIC from gaining access to information that is essential to the FDIC's assessment of its risks as insurer and to its ability to resolve the IDI in a cost-effective and timely fashion as receiver, in the event of failure. Also, given the extensive interconnectedness of the IDI with its parent and affiliates, **the FDIC can be significantly hindered in its mission to effect an orderly and timely resolution, minimize cost to the insurance fund, and maximize recoveries to depositors and other claimants.** This mission is separate and distinct from the mission of the primary federal supervisor. Complementing the supervisory oversight of the primary federal regulator, **the FDIC's role as insurer and resolver requires a distinct focus on loss severities, default risks, complexities in structure and operations, and other factors that impact risk to the insurance fund and the ability of the FDIC to effect an orderly resolution.**

The FDIC believes that assessing its insurance risk and planning for resolution of covered IDIs require access to timely, complete and accurate information regarding the nature and structure of the IDI within the organization as well as its ability to extract and separate itself from its parent structure in contemplation of failure. These information and contingency planning requirements are the foundation for any meaningful analysis of IDI franchise value, least-cost resolution strategies, strategies to mitigate systemic risks and overall planning for an orderly resolution in the possible event of failure. The recent financial crisis has demonstrated that the risk of insolvency to an IDI can arise quickly, and that preparedness and planning must be conducted on a continuing basis, *before* problems become evident, and not merely in response to after-the-fact supervisory indicators.

2. Use of Information Collected

The proposed rule is intended to ensure that the FDIC has access to all the information it needs to assess its insurance risk in connection with large IDIs existing within large and complex financial parent companies, and to efficiently resolve such IDIs in the event of failure. The rule requires identified IDIs to compile information, conduct analyses and develop plans that will enable the FDIC to understand and anticipate the operational, managerial, financial and other aspects of the IDI that would complicate efforts by the FDIC, as receiver, to extract the IDI from the larger enterprise, determine and maximize franchise value, and conduct a least-cost resolution.

3. Use of Technology to Reduce Burden

Submission of the initial and periodic contingent resolution plans, gap analyses and mitigation efforts may be facilitated by whatever technology is available.

4. Efforts to Identify Duplication

The information collection contained in the proposed rule is related to, but not duplicated by, other previously approved collections of information. It cannot be readily acquired from other sources.

5. Minimizing the Burden on Small Entities

The information is collected only from a limited group of large, complex IDIs. Small entities are not affected.

6. Consequences of Less Frequent Collection

The initial submissions under the proposed rule must be made within six months of the effective date of the rule, and these submissions must be updated at least annually thereafter to provide current and updated information on material elements described in the proposed rule. In addition, changes in certain material information elements must be reported when the changes occur. Less frequent collection would render the information stale and unable to be used effectively by the FDIC to fulfill its insurance and resolution responsibilities.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The Notice of Proposed Rulemaking is to be published in the *Federal Register* for a 60-day comment period. All comments timely filed will be considered by the FDIC in adoption of any final rule.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

The FDIC recognizes that the information and analysis provided will be proprietary and highly confidential, and is not intended for disclosure. Information deemed confidential is exempt from public disclosure under the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

New Paperwork Burden	**Number of Respondents**	**Hours Per Response**	**Responses Per Year**	**Total Hours**
Initial Analysis, Information and Contingent Resolution Plan	**40**	**500**	**1**	**20,000**
Annual Update on Analysis, Information and Contingent Resolution Plan	**40**	**250**	**1**	**10,000**
Update on Certain Material Information Elements of Resolution Plan	**40**	**50-250**		**0-20,000**
Total Burden				**50,000 hours**

13. Capital, Start-up, and Operating Costs

Some of the required information is likely to have been developed and/or reported elsewhere, and to the greatest extent possible, the FDIC expects such existing information and reports to be used to minimize the regulatory burden on the covered IDIs. Capital, start-up or operating costs associated with preparation and submission of the initial and updated analyses and plans are unknown.

14. Estimates of Annualized Cost to the Federal Government

Any incremental costs associated with reviewing information submitted by private capital investors are encompassed within the FDIC's personnel and data processing budgets and are not separately identifiable.

15. Reason for Change in Burden

This is a new collection.

16. Publication

The information collected from covered IDIs will not be published by the FDIC.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.