

**Supporting Statement**  
**Incentive Based Compensation Arrangements**  
**OMB Control No. 1557-0NEW**

A. Justification.

1. Circumstances that make the collection necessary:

Section 956 of the Dodd-Frank Act requires that the agencies prohibit incentive-based payment arrangements at a covered financial institution that encourage inappropriate risks by a financial institution by providing excessive compensation or that could lead to material financial loss. Under the Dodd-Frank Act, a covered financial institution also must disclose to its appropriate Federal regulator the structure of its incentive-based compensation arrangements sufficient to determine whether the structure provides “excessive compensation, fees, or benefits” or “could lead to material financial loss” to the institution. The Dodd-Frank Act does not require a covered financial institution to disclose compensation of individuals as part of this requirement.

2. Use of the information:

Section \_\_.4(a) would require covered financial institutions that have total consolidated assets of \$1 billion or more to submit a report annually to the Agency that describes the structure of the covered financial institution’s incentive-based compensation arrangements for covered persons and that is sufficient to allow an assessment of whether the structure or features of those arrangements provide or are likely to provide covered persons with excessive compensation, fees, or benefits to covered persons or could lead to material financial loss to the institution. Section \_\_.4(b) would require the following minimum standards:

- (1) A clear narrative description of the components of the covered financial institution's incentive-based compensation arrangements applicable to covered persons and specifying the types of covered persons to which they apply;
- (2) A succinct description of the covered financial institution’s policies and procedures governing its incentive-based compensation arrangements for covered persons;
- (3) For a covered financial institution that has total consolidated assets of \$50 billion or more, a succinct description of incentive based compensation policies and procedures specific to the covered financial institution’s executive officers and other covered persons identified and determined by the Board of Directors, or Committee thereof, individually have the ability to expose the institution to possible losses that are substantial in relation to the covered institution’s size, capital, or overall risk tolerance.

- (4) Any material changes to the covered financial institution's incentive-based compensation arrangements and policies and procedures made since the covered financial institution's last report submitted to the agency pursuant to the proposed rule; and
- (5) The specific reasons why the covered financial institution believes the structure of its incentive-based compensation plan: (i) does not provide covered persons incentives to engage in behavior that is likely to cause the covered financial institution to suffer a material financial loss; or (ii) does not provide covered persons with excessive compensation.

Section \_\_.5(b)(3)(ii)(B) would require the board of directors of covered financial institutions that have total consolidated assets of \$50 billion or more to approve and document the identification of those covered persons that individually have the ability to expose the institution to possible losses that are substantial in relation to the institution's size, capital, or overall risk tolerance.

Section \_\_.6(a) would require any incentive-based compensation arrangement, or any feature of any such arrangements, is prohibited under §563h.5 of this part, unless adopted pursuant to policies and procedures developed and maintained by each covered financial institution and approved by its board of directors, or a committee thereof, reasonably designed to ensure and monitor compliance with the requirements set forth in 12 U.S.C. 5641 and this part and commensurate with the size and complexity of the organization, as well as the scope and nature of its use of incentive-based compensation.

Section \_\_.6(b)(5) would ensure that documentation of the institution's processes for establishing, implementing, modifying, and monitoring incentive-based compensation arrangements is maintained that is sufficient to enable the Agency to determine the institution's compliance with 12 U.S.C. § 5641.

3. Consideration of the use of improved information technology:

National banks may use any information technology that permits review by OCC examiners.

4. Efforts to identify duplication:

The information required is unique. It is not duplicated elsewhere.

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

Not applicable.

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

Conducting the collection less frequently would make it more difficult for examiners to evaluate an institution's compliance with the rule.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

None. The information collection is conducted in accordance with OMB guidelines in 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

The agencies published a notice of proposed rulemaking in the *Federal Register* on April 14, 2011 (76 FR 21170) citing a 45 day comment period.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

Number of respondents: 163 (17 institutions with total consolidated assets of \$50 billion or more and 146 with total consolidated assets between \$1 billion and \$50 billion).

Burden per respondent for initial set up: 180 hours for banks with \$50 billion or more in total assets (80 hours for reporting and 100 hours for recordkeeping) ( $180 \times 17 = 3,060$  hours) and 70 hours for banks between \$1 billion and \$50 billion in total assets (30 hours for reporting and 40 hours for recordkeeping) ( $70 \times 146 = 10,220$ ), or 13,280 total hours for all respondents for initial set-up.

Burden per respondent for ongoing compliance: 70 hours for banks with \$50 billion or more in total assets (40 hours for reporting and 30 hours for recordkeeping) ( $70 \times 17 = 1,190$ ) and 25 hours for banks between \$1 billion and \$50 billion in total assets (15 hours for reporting and 10 hours for recordkeeping) ( $25 \times 146 = 3,650$ ), or 4,840 hours for ongoing recordkeeping and reporting.

Total Burden: 18,120 hours (13,280 hours for initial set-up and 4,840 hours for ongoing compliance)

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

None.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

OTS is citing an increase in the burden of 18,120 hours as a program change due to the fact that this is a new collection.

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

No publication for statistical use is contemplated.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.