

Supporting Statement
Annual Stress Test
OMB Control No. 3064-NEW

A. Justification.

1. Circumstances that make the collection necessary:

This collection of information relates to a proposed rule to implement Section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (“Dodd-Frank Act”) which requires certain companies to conduct annual stress tests. State nonmember banks and state savings associations with total consolidated assets of more than \$10 billion would be required to conduct annual stress tests and comply with reporting and disclosure requirements under the rule.

2. Use of the information:

The stress tests under the proposed rule will provide forward-looking information to supervisors to assist in their overall assessments of a covered bank’s capital adequacy and to aid in identifying downside risks and the potential impact of adverse outcomes on the covered bank’s capital adequacy. In addition, the FDIC may use stress tests to determine whether additional analytical techniques and exercises are appropriate for a covered bank to employ in identifying, measuring, and monitoring risks to the financial soundness of the covered bank, and may require a covered bank to implement such techniques and exercises in conducting its stress tests. Lastly, these stress tests are expected to support ongoing improvement in a covered bank’s stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The information collection requirements are found in sections 325.204 - 325.207:

- section 325.204(a) specifies the calculations of the potential impact on capital that must be made during each quarter of a planning horizon.
- sections 325.204(c) requires that each covered bank must establish and maintain a system of controls, oversight, and documentation, including policies and procedures that, at a minimum, describe the covered bank’s stress test practices and methodologies, and processes for updating the covered bank’s stress test practices. The board of directors and the senior management of the covered bank shall approve and review the controls, oversight, and documentation, including policies and procedures of the covered bank, which shall be no less than annually.
- section 325.205 provides that each covered bank shall report to the FDIC annually the results of the stress test in the time, manner and form specified.
- section 325.207 requires that, within 90 days of the due date of the report, a covered bank shall publish a summary of the results of its annual stress tests on its website or in any

¹ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

other forum that is reasonably accessible to the public. The summary must include a description of the types of risks being included in the stress test and estimates of aggregate losses, net income, and pro forma capital levels and capital ratios (including regulatory and any other capital ratios specified by the FDIC) over the planning horizon, under each scenario.

3. Consideration of the use of improved information technology:

Respondents may use any information technology that permits review by FDIC 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 present safety and soundness risks.

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* for comment on January 23, 2012. 77 FR 3166.

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: 23.

Estimated Burden per Respondent:

Initial Paperwork Burden:

Initial Report: 2000 hours per respondent x 23 = 46,000 hours

Ongoing Paperwork Burden

Annual Report: 1040 hours per respondent x 23 = 23,920 hours

Total Estimated First Year Burden: 46,000 hours

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:

Former: 0 respondents; 0 burden hours per respondent; 0 total burden hours

New: 23 respondents; 2,000 burden hours per respondent; 46,000 total burden hours (First Year)

Difference: + 23 respondents; + 2000 burden hours per respondent; + 46,000 total burden hours

The increase in burden is 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.