

**Supporting Statement for the  
Reporting Requirements Associated with Regulation QQ  
(Resolution Plans Required) (Reg QQ; OMB No. 7100-0346)**

*(Docket No. R-1414) (RIN 7100-AD73)*

**Summary**

The Board of Governors of the Federal Reserve System (the Board), under delegated authority from the Office of Management and Budget (OMB), proposes to implement, the Reporting Requirements Associated with Regulation QQ (Resolution Plans Required) (Reg QQ; OMB No. 7100-0346). Regulation QQ (12 CFR part 243) requires each bank holding company (BHC) with assets of \$50 billion or more<sup>1</sup> and nonbank financial firms designated by the Financial Stability Oversight Council (the Council) for supervision by the Board (each a “covered company”) to report periodically to the Board and the Federal Deposit Insurance Corporation (Corporation) the plan of such company for rapid and orderly resolution under Title 11 of the United States Code (the Bankruptcy Code) in the event of material financial distress or failure. The Paperwork Reduction Act (PRA) classifies these requirements as an information collection and the PRA mandates, subsequent to implementation, the Federal Reserve to renew these requirements once every three years.

On April 22, 2011, the Board and the Corporation (the Agencies) published a joint notice of proposed rulemaking (NPRM) (Resolution Plans and Credit Exposure Reports Required) in the *Federal Register* for public comment (76 FR 22648). The proposed rule would implement the requirements in section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) regarding resolution plans. The comment period for the NPRM expired June 10, 2011. The Agencies collectively received 22 comment letters from a range of individuals and banking organizations, as well as industry and trade groups representing banking, insurance, and the broader financial services industry; three comments specifically addressed the paperwork burden. On November 1, 2011, the Agencies published a final rule in the *Federal Register* (76 FR 67323), addressing the comments in detail. This final rule implements the resolution plan requirement set forth in section 165(d)(1) of the Dodd-Frank Act. The effective date for Regulation QQ is November 30, 2011; however, the first resolution plans would be submitted in July 2012. The total PRA burden is estimated to be 700,000 hours for implementation and 155,304 hours annually after implementation.

**Background and Justification**

To promote financial stability, section 165(d) of the Dodd-Frank Act requires each covered company to periodically submit to the Board, the Corporation, and the Council a plan for such company’s rapid and orderly resolution under the Bankruptcy Code in the event of material financial distress or failure.

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<sup>1</sup> This includes any foreign bank or company that is, or is treated as, a bank holding company under section 8(a) of the International Banking Act of 1978, and that has \$50 billion or more in total consolidated assets.

Plans filed under section 165(d)(1) will assist covered companies and regulators in conducting advance resolution planning for a covered company. As demonstrated by the Corporation's experience in failed bank resolutions, as well as the Board's and the Corporation's experience in the recent crisis, advance planning improves the efficient resolution of a covered company. Advance planning has long been a component of resiliency and recovery planning by financial companies. The resolution plan required of covered companies under the final rule will support the Corporation's planning for the exercise of its resolution authority under the Dodd-Frank Act and the Federal Deposit Insurance Act by providing the Corporation with an understanding of the covered companies' structures and complexity as well as their resolution strategies and processes. The resolution plan required of covered companies under the final rule will also assist the Board in its supervisory efforts to ensure that covered companies operate in a manner that is both safe and sound and that does not pose risks to financial stability generally. In addition, these plans will enhance the Agencies' understanding of the U.S. operations of foreign banks and improve efforts to develop a comprehensive and coordinated resolution strategy for a cross-border firm.

The final rule requires each covered company to produce a resolution plan, or "living will," that includes information regarding the manner and extent to which any insured depository institution affiliated with the company is adequately protected from risks arising from the activities of nonbank subsidiaries of the company; detailed descriptions of the ownership structure, assets, liabilities, and contractual obligations of the company; identification of the cross-guarantees tied to different securities; identification of major counterparties; a process for determining to whom the collateral of the company is pledged; and other information that the Board and the Corporation jointly require by rule or order.

The final rule requires a strategic analysis by the covered company of how it can be resolved under the Bankruptcy Code in a way that would not pose systemic risk to the financial system. In doing so, the company must map its core business lines and critical operations to material legal entities and provide integrated analyses of its corporate structure; credit and other exposures; funding, capital, and cash flows; the domestic and foreign jurisdictions in which it operates; and its supporting information systems for core business lines and critical operations.

## **Description of Information Collection**

The reporting requirements are found in sections 243.3, 243.4, and 243.5 of the Regulation QQ. Compliance with the information collections is mandatory. No other federal law mandates these reporting requirements.

## **General Requirements**

**Section 243.3 Resolution plan required**, sets forth a staggered schedule for submission of initial resolution plans by covered companies, and requires that covered companies annually submit an updated resolution plan on the anniversary of the initial submission date. In addition, section 243.3 establishes a requirement that a covered company provide notice to the Board and Corporation of material events that have the potential to affect its resolution plan.

**Section 243.4 Informational content of a resolution plan**, describes the required informational content of both a full resolution plan and the tailored resolution plan available to smaller, less complex covered companies. In providing organizational structure information required in section 243.4, a covered company may rely on the information it previously reported to the Board (FR Y-6, Annual Report of Bank Holding Companies; FR Y-7, Annual Report of Foreign Banking Organizations; and FR Y-10, Report of Changes in Organizational Structure; OMB No. 7100-0297).

**Section 243.5 Review of resolution plans; resubmission of deficient resolution plans**, requires a covered company to resubmit an informationally complete resolution plan or additional information as jointly requested by the Board and Corporation to facilitate review of the covered company's resolution plan within 30 days of receiving notice that its resolution plan is deemed incomplete.

In addition, section 243.5 requires that, if the Board and Corporation jointly determine that a resolution plan of a covered company is not credible, a covered company must resubmit a revised plan within 90 days of receiving notice that its resolution plan is deemed deficient. A covered company may also submit a written request for an extension of time to resubmit additional information or a revised resolution plan. The Board and the Corporation, in a manner consistent with the Dodd-Frank Act, will assess the confidentiality of resolution plans and related material in accordance with the Freedom of Information Act (FOIA) and the Board's and the Corporation's implementing regulations (12 CFR part 261 (Board); 12 CFR part 309 (Corporation)).

All of these requirements would implement the resolution plan requirement set forth in section 165(d)(1) of the Dodd-Frank Act. Since the Board supervises all of the respondents, the Board will take the entire paperwork burden associated with this information collection.

### **Time Schedule for Information Collection**

In general, respondents will submit their initial resolution plans on a staggered basis pursuant to section 243.3 of Regulation QQ:

- Respondents with \$250 billion or more in non-bank assets (or in the case of a foreign-based company, in total U.S. nonbank assets), must submit their initial plans on or before July 1, 2012;
- Respondents with \$100 billion or more, but less than \$250 billion, in total non-bank assets (or in the case of a foreign-based company, in total U.S. nonbank assets), must submit their initial plans on or before July 1, 2013; and
- Respondents with less than \$100 billion in total non-bank assets must submit their initial plans on or before December 31, 2013.

The resolution plans must be submitted annually after the initial submission. The above phase-in schedule generally applies to any company that is a covered company as of the effective date of the final rule. A company that becomes a covered company after the effective date of the final rule, *e.g.*, a company the Council has designated for supervision by the Board or a BHC that

grows, organically or by merger or acquisition, over the \$50 billion threshold, must submit its resolution plan by the next July 1 following the date the company becomes a covered company, provided such date is at least 270 days after the date the company becomes a covered company. The final rule permits the Board and Corporation to jointly determine that a covered company must submit its initial resolution plan earlier or later than provided for in the final rule.

Additional information submitted at request of the Agencies, notices of material events, and requests for extensions to resubmit resolution plans would all be filed on occasion.

### **Consultation Outside of the Agency and Discussion of Public Comments**

As noted above, the Agencies published a joint NRPM (Resolution Plans and Credit Exposure Reports Required) in the *Federal Register* for public comment (76 FR 22648) on April 22, 2011. The comment period for the NPRM expired June 10, 2011. On November 1, 2011, the Agencies published a notice of final rule- in the *Federal Register* (76 FR 67323).

The Agencies collectively received 22 comment letters from a range of individuals and banking organizations, as well as industry and trade groups representing banking, insurance, and the broader financial services industry; three comments specifically addressed the paperwork burden.

Two commenters expressed concern about the PRA analysis published as part of the NPRM, and noted that the Board and Corporation omitted nonbank financial companies designated by the Council, for enhanced supervision by the Board from that analysis. While the final rule applies to any nonbank financial company supervised by the Board, no such covered company exists because the Council has, to date, not designated any such company for enhanced supervision by the Board. However, the Board expects that the amount of burden the final rule would impose on a nonbank financial company designated by the Council to be similar to the amount of burden estimated for other covered companies.

One commenter stated that the cost-benefit analysis of the proposed rule significantly underestimated the time, effort, and expense associated with compliance. The Board noted that several of the changes described in the Supplementary Information section of the final rule reduced the burden, particularly for smaller, less complex covered companies. Specifically, the final rule streamlined the resolution plan requirement applicable to covered companies that operate predominately through one or more insured depository institutions (or, in the case of foreign banking organizations subject to the rule, U.S. insured depository institutions, branches, and agencies). The information required under a tailored plan is generally limited to information regarding the nonbanking operations of the company and the interconnections between the bank and nonbank operations of the company, rather than its entire operations.

### **Sensitive Questions**

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

## Legal Status

This information collection is mandatory pursuant to section 165(d)(8) of the Dodd-Frank Act (Pub. L. 111–203, 124 Stat. 1376, 1426–1427), 12 U.S.C. 5365(d)(8), which requires the Board and the Corporation to jointly issue rules implementing the provisions of section 165(d) of the Dodd-Frank Act.

The Board’s Legal Division has determined that under section 112(d)(5)(A) of the Dodd-Frank Act, the Board and the Corporation “shall maintain the confidentiality of any data, information, and reports submitted under” Title I (which includes section 165(d), the authority this regulation is promulgated under) of the Dodd-Frank Act.

The Board and the Corporation will assess the confidentiality of resolution plans and related material in accordance with FOIA and the Board’s and the Corporation’s implementing regulations (12 CFR part 261 (Board); 12 CFR part 309 (Corporation)). The Board and the Corporation certainly expect that large portions of the submissions will contain or consist of “trade secrets and commercial or financial information obtained from a person and privileged or confidential” and information that is “contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.” This information is subject to withholding under exemptions 4 and 8 of the FOIA, 5 U.S.C. 552(b)(4) and 552(b)(8). The Board and the Corporation also recognize, however, that the regulation calls for the submission of details regarding covered companies that are publicly available or otherwise are not sensitive and should be made public. In order to address this, the regulation requires resolution plans to be divided into two portions: a public section and a confidential section.

The public section of the resolution plan should consist of an executive summary of the resolution plan that describes the business of the covered company and includes, to the extent material to an understanding of the covered company: (i) The names of material entities; (ii) a description of core business lines; (iii) consolidated or segment financial information regarding assets, liabilities, capital and major funding sources; (iv) a description of derivative activities and hedging activities; (v) a list of memberships in material payment, clearing, and settlement systems; (vi) a description of foreign operations; (vii) the identities of material supervisory authorities; (viii) the identities of the principal officers; (ix) a description of the corporate governance structure and processes related to resolution planning; (x) a description of material management information systems; and (xi) a description, at a high level, of the covered company’s resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities and core business lines.

While the information in the public section of a resolution plan should be sufficiently detailed to allow the public to understand the business of the covered company, such information can be high level in nature and based on publicly available information. The public section will be made available to the public exactly as submitted by the covered companies as soon as possible following receipt by the agencies. A covered company should submit a properly substantiated request for confidential treatment of any details in the confidential section that it believes are subject to withholding under exemption 4 of the FOIA. In addition, the Board and

the Corporation will make formal exemption and segregability determinations if and when a plan is requested under the FOIA.

### **Estimate of Respondent Burden**

The estimated total annual burden for the reporting requirements of this information collection is 855,304 hours, as shown in the table below.

The Federal Reserve estimates that each tailored reporter will take, on average, 5,500 hours to comply with the requirements in sections 243.3, 243.4, and 243.5. The total annual burden for the 104 tailored reporters to implement and maintain their resolution plans is estimated to be 572,000 hours.

The Federal Reserve estimates that each full reporter will take, on average, 11,761 hours to comply with the requirements in sections 243.3, 243.4, and 243.5. The total annual burden for the 20 full reporters to implement and maintain their resolution plans is estimated to be 235,220 hours.

The Federal Reserve estimates that 24 respondents will take, on average, 1,001 hours to comply with the additional information and extension request requirements in section 243.5. The total annual burden additional information & extension request is estimated to be 48,024 hours.

The Federal Reserve estimates that three respondents will take, on average, 20 hours to comply with the ongoing notice of material change requirements in section 243.3. The total annual burden for notice of material change is estimated to be 60 hours.

The reporting requirements in Regulation QQ represents 7.14 percent of total Federal Reserve System paperwork burden. The total cost to the public is estimated to be \$38,360,384.<sup>2</sup>

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<sup>2</sup>Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$17, 45% Financial Managers @ \$52, 15% Legal Counsel @ \$55, and 10% Chief Executives @ \$81). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2011, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm) Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)

	<i>Number of respondents<sup>3</sup></i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated total annual burden hours</i>
<b><i>Implementation</i></b>				
Resolution Plan - Tailored reporters	104	1	4,500	468,000
Resolution Plan - Full reporters	20	1	9,200	184,000
Additional information requests	24	2	1,000	<u>48,000</u>
				<b>700,000</b>
<b><i>Implementation total</i></b>				
<b><i>Ongoing</i></b>				
Resolution Plan - Tailored reporters	104	1	1,000	104,000
Resolution Plan - Full reporters	20	1	2,561	51,220
Notice of Material Events	3	1	20	60
Extension requests	24	1	1	<u>24</u>
				<b>155,304</b>
				<b>855,304</b>
				<b><i>Total</i></b>

### **Estimate of Cost to the Federal Reserve System**

The estimate of cost to the Federal Reserve System for the reporting requirements associated with the Reg QQ will be provided once the Federal Reserve obtains additional information after implementing these requirements.

<sup>3</sup> None of the respondents required to comply with the rule are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets)  
[www.sba.gov/contractingopportunities/officials/size/table/index.html](http://www.sba.gov/contractingopportunities/officials/size/table/index.html).