Supporting Statement
Recordkeeping and Disclosure Provisions
Associated with Annual Stress Test Final Rule
OMB Control No. 3064-0187

A. Justification

1. Circumstances that make the collection necessary:

The Federal Deposit Insurance Corporation (FDIC) is issuing a final rule on stress testing that would be applicable to all state nonmember banks with over $10 billion in assets pursuant to the requirements of section 165(i)(2) of the Dodd Frank Act. The Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (Board), are issuing stress test rules for their regulated entities near in time to the FDIC's final rules. The regulations across the banking agencies will be consistent and comparable as required by the Dodd frank Act. As required by the Dodd Frank Act, the regulation; defines "stress test" as a process to assess the potential impact of FDIC-provided macroeconomic and market scenarios on the consolidated earnings, losses, and capital of a covered bank, and requires covered banks to perform annual stress tests, report their results to the FDIC and publish a summary of their test results.

2. Use of the information:

As required by section 165(i)(2) of the Dodd-Frank Act, the Federal banking agencies will provide three clearly defined macroeconomic and market scenarios (baseline, adverse, and severely adverse) each year. With those scenarios covered banks to use their own financial data as of September 30 to estimate pre-provision net revenue (PPNR), losses, loan loss provisions, net income and the potential impact on regulatory capital levels and ratios over a 9 quarter horizon. The board of directors and senior management of each covered bank must use the results of the stress tests in the normal course of business, including but not limited to, the covered bank's capital planning, assessment of capital adequacy, and risk management
The final rule also requires covered banks to establish and maintain a system of controls, oversight, and documentation, including policies and procedures, designed to ensure that the stress testing processes used by the bank are effective in meeting the requirements of the final rule.

The final rule requires covered banks to report data to their primary supervisors. The Corporation published for notice and comment specific annual stress test reporting requirements for over $50 billion covered banks in a separate information collection. The Corporation, in coordination with the other Federal banking agencies, plans to publish for comment separately the required reports for covered banks with total consolidated assets of more than $10 billion but less than $50 billion.

3. Consideration of the use of improved information technology:

Covered banks 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 a significant impact on substantial number of small entities:

Not applicable. The information collection affects only large institutions that are greater than $10 billion in consolidated assets.

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

Conducting the collection is required by law to be on an annual basis. Conducting the collection less frequently would also present safety and soundness risks.

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

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. Efforts to consult with persons outside the agency:

On January 23, 2012 (77 FR 3166), the agencies published the proposed rule for 60 days of comment. Eighteen comments were received regarding proposed rule.

The comments did not specifically discuss the estimates of burden. The agencies emphasize that the rule implements the stress testing requirements imposed by the Dodd-Frank Act, and does not otherwise impose additional mandatory stress testing requirements. The burden of information collections associated with these mandatory stress tests are accounted for in the banking agencies respective rules.

The FDIC appreciates all comments and takes them seriously. However, one commenter suggested that the banks be required to include either the stress test results, or directions as to how to obtain the results report, in their annual reports or annual letters to clients to ensure that the reports will be accessible, and will be readily disseminated so that clients and potential investors, lenders, financial institutions or other banks will be able to easily locate the reports to make more informed decisions regarding their relationships to the reporting banks.

This commenter is suggesting a solution for a problem that is non-existent, and that will not exist in the future. We require the banks to make public the results of their stress testing by publishing the results on their websites. The affected banks – a mere 25 out of some 4700 banks regulated by the FDIC – are all big sophisticated banks over $10 billion in size. There is no chance that a bank would successfully get away with burying its report in an "almost unnoticeable" portion of their website. And to the extent a bank's report is "inaccessible," or for technical reasons "unavailable," the bank has failed to make the report public by publishing it on its website. Given the high level of press interest in bank stress testing, banks know that their test results will become public, and any attempt to hide poor results will only bring far more attention to the poor results, causing potential harm to the reputation of the bank.

9. Payment to respondents:

There is no payment to respondents.

10. Any assurance of confidentiality:

To the extent the FDIC collects information during an examination of a banking organization, confidential treatment may be afforded to the records under exemption 8 of the Freedom of Information Act, 5 U.S.C. 552(b)(8).

11. Justification for questions of a sensitive nature:

No questions of a sensitive nature are asked.

12. Burden estimate:

Given the data available to us, we expect that 25 institutions may be affected by the final rule.

(a) Initial Stress Test - 25 respondents x 2,000 hours per respondent = 50,000 burden hours

(b) Ongoing Annual Stress Test - 25 respondents x 1,040 hours per respondent = 26,000 burden hours

13. Estimate of annualized costs to respondents:

On average, FDIC staff estimate that each of the 25 respondents will spend 2,000 hours at a cost of $90[1] per hour to collect and prepare information for the initial submission, resulting in a cost of $4,500,000.

FDIC staff expects that the costs of compliance will be less in subsequent years, and will be driven by the magnitude of the changes in activities and operations of each covered bank. Staff estimates that each covered bank will spend 1,040 hours on subsequent stress testing activities after the initial annual stress test, resulting in an annual cost of $2,340,000.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

+ 25 respondents; + 26,000 ongoing annual burden hours

The increase 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:

Not applicable.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

None.

B. Collections of Information Employing Statistical Methods

Not applicable.

[1]To estimate hourly wages, we used the Office of the Comptroller of the Currency's estimate who used data from May 2011 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation. To estimate compensation costs associated with the rule, they used $90 per hour, which is based on the average of the 90th percentile for seven occupations (i.e., accountants and auditors, compliance officers, financial analysts, lawyers, management occupations, software developers, and statisticians) plus an additional 33 percent to cover inflation and private sector benefits.