Supporting Statement
Recordkeeping and Disclosure Provisions
Associated with Annual Stress Test Reporting Template and Documentation
for Covered Banks with Total Consolidated Assets of $50 Billion or More
OMB Control No. 3064-NEW

A. Justification

1. Circumstances that make the collection necessary:

On October 15, 2012, the Federal Deposit Insurance Corporation (FDIC) published in the Federal Register a final rule on annual stress testing that is applicable to all state nonmember banks and state savings associations with over $10 billion in total consolidated assets (covered banks) pursuant to the requirements of section 165(i)(2) of the Dodd Frank Act (77 FR 62417).

The Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (Board) issued annual stress test final rules for their regulated entities near in time to the FDIC's final rule. The regulations across the banking agencies are consistent and comparable as required by the Dodd Frank Act.

The Dodd-Frank Act stress testing requirements apply to all covered banks (those with over $10 billion in total consolidated assets), but the FDIC recognizes that many covered banks with consolidated total assets of $50 billion or more have been subject to stress testing requirements under the Board's Comprehensive Capital Analysis and Review (CCAR). The FDIC also recognizes that these institutions' stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the company-run stress tests. These reports will necessarily require more detail than would be appropriate for smaller, less complex institutions. Therefore, in coordination with the other Federal banking agencies, the FDIC has decided to specify separate reporting templates: (1) for covered institutions with total consolidated assets between $10 and $50 billion and (2) for covered institutions with total consolidated assets of $50 billion or more.

The FDIC's, the OCC's and Board's final rules require their respective covered institutions with total consolidated assets of $50 billion or more to conduct annual stress tests and report on those tests to the relevant agency by January 5, 2013. These covered institutions would report using the specified reporting templates noted above.

2. Use of the information:

As required by section 165(i)(2) of the Dodd-Frank Act, the FDIC provided in its final rule three clearly defined macroeconomic and market scenarios (baseline, adverse, and severely adverse) each year. With those scenarios covered banks are 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 nine-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 financial regulatory agency and to the Board at such time, in such form, and containing such information as the primary financial regulatory agency may require. On November 26, 2012, after the annual stress test rule was finalized, the FDIC, in coordination with the other Federal banking agencies, published for comment separately a notice of information collection describing the new versions of the proposed required reports for covered banks with total consolidated assets of $50 billion or more. These reporting templates are almost identical to those described in the OCC's related information collection (77 FR 66663). There are no substantive differences between the FDIC's and the OCC's templates; only the names of the agencies were changed. The FDIC expects to consolidate the new information collection requirements contained in reporting templates for covered banks with total consolidation assets of $50 billion or more with the information collection requirements contained in the final rule.

The FDIC intends to use the data collected through these templates to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered bank's capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results 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.

3. <u>Consideration of the use of improved information technology:</u>

Covered banks may use any information technology that permits review by FDIC examiners and meets the requirements of the rule.

4. <u>Efforts to identify duplication:</u>

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

5. <u>Methods used to minimize burden if the collection has a significant impact on substantial number of small entities:</u>

Not applicable. The information collection affects only large institutions that have $50 billion or more in total consolidated assets.

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

Conducting the collection is required by the Dodd Frank Act 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 August 30, 2012 (77 FR 52718), the FDIC published its notice of information collection for 60 days of comment. No comments were received regarding this proposed information collection.

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.

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, the information will be kept private to extent provided by law.

11. Justification for questions of a sensitive nature:

No questions of a sensitive nature are asked.

12. Burden estimate:

4 institutions are affected by this information collection.

4 respondents x 1,040 hours per respondent = 4,160 burden hours

The FDIC recognizes the Board has estimated 79,200 hours for bank holding companies to prepare their systems for submitting data for the FR Y-14. The FDIC believes that these systems will also be used to submit data for the reporting templates described in this notice.

13. Estimate of annualized costs to respondents:

On average, FDIC staff estimates that each of the 4 respondents will spend 1,040 hours at a cost of $90[1] per hour to collect and prepare information for each ongoing annual submission, resulting in a cost of $374,400. FDIC staff expects that key drivers of costs of compliance will be the magnitude of the changes in activities and operations of each covered bank.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

+ 4 respondents; + 4,160 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.