SUPPORTING STATEMENT

Advanced Capital Adequacy Framework Regulatory Reporting Requirements

FFIEC 101
(OMB No. 3064-0159)

## INTRODUCTION

The FDIC is requesting approval from the U.S. Office of Management and Budget (OMB) to extend with revisions the quarterly regulatory reporting requirements established by the Federal Financial Institutions Examination Council (FFIEC) for banks, savings associations, bank holding companies, and savings and loan holding companies that must apply the Advanced Capital Adequacy Framework for regulatory capital purposes. Such institutions are referred to as advanced approaches institutions.

The revisions to the FFIEC 101 report would align the report with the revised regulatory capital rules, often referred to as Basel III, that were approved by the FDIC, the Federal Reserve Board (FRB), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) during July 2013. In summary, the revisions to the FFIEC 101 report would:

- Incorporate into Schedule A–Advanced Approaches Regulatory Capital, the Basel III common disclosure template that was adopted by the Basel Committee on Banking Supervision in June 2012 and include additional line items, such as the supplementary leverage ratio, to collect data on the new requirements established by the revised regulatory capital rules.
- Make the information collected on revised Schedule A, except for a few specific line items, available to the public starting with the March 31, 2014, report date to ensure transparency of regulatory capital information reported by internationally active institutions.
- Revise nine of the risk-weighted assets schedules in the FFIEC 101 report (Schedules B, C, D, H, I, J, P, Q, and R) to ensure that the data reported in these schedules are consistent with the Advanced Capital Adequacy Framework's revised regulatory capital rules, thereby facilitating the timely implementation of these revised rules in 2014.

The FFIEC, of which the FDIC, the FRB, and the OCC are members, has approved these revised reporting requirements. The agencies plan to implement the proposed changes beginning with the March 31, 2014, report date. The FRB and the OCC are also submitting these changes to the FFIEC 101 report for OMB review for the banks, savings associations, bank holding companies, and savings and loan holding companies under their supervision.

**JUSTIFICATION**

1. Circumstances and Need

The U.S. implementation of the Advanced Capital Adequacy Framework is detailed in the agencies' Risk Based Capital Standards: Advanced Capital Adequacy Framework – Basel II. This final rule was published on December 7, 2007 (72 FR 69288), and became effective April 1, 2008. The Basel II final rule includes an advanced internal ratings-based approach for calculating regulatory credit risk capital and advanced measurement approaches for calculating regulatory operational risk capital. The agencies approved revisions to the Advanced Capital Adequacy Framework as part of the revised regulatory capital rules adopted in July 2013: 78 FR 62018, October 11, 2013 (FRB and OCC); 78 FR 55340, September 10, 2013 (FDIC). These revisions took effect for advanced approaches institutions on January 1, 2014. A bank, savings association, bank holding company, or savings and loan holding company[1] must apply the Advanced Capital Adequacy Framework, as revised, if it:

(i) Has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to $250 billion or more;
(ii) Has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to $10 billion or more (excluding exposures held by an insurance underwriting subsidiary);
(iii) Is a subsidiary of a depository institution that uses the Advanced Capital Adequacy Framework to calculate its total risk-weighted assets;
(iv) Is a subsidiary of a bank holding company or savings and loan holding company that uses the Advanced Capital Adequacy Framework its total risk-weighted assets; or
(v) Elects to use the Advanced Capital Adequacy Framework to calculate its total risk-weighted assets.

Such an institution must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which the institution triggers one of the four threshold criteria for applying the Advanced Capital Adequacy Framework or elects to use the framework (an opt-in institution), and must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which the institution has begun their parallel run period.

In order to assess a bank's conformance with the Advanced Capital Adequacy Framework as revised in 2013, the agencies determined that the existing FFIEC 101 report should also be revised, effective with the March 31, 2014, reporting date, to conform to the changes made to the framework.[2] This reporting date is the first reporting date after the January 1, 2014, effective date of the changes to the Advanced Capital Adequacy Framework. The FFIEC 101 report was initially implemented in 2008 when the Advanced Capital Adequacy Framework took effect.

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[1] For simplicity, and unless otherwise indicated, the term "bank" includes banks, savings associations, bank holding companies, and savings and loan holding companies.

[2] Advanced approaches banking organizations that are savings and loan holding companies and that are subject to the revised Advanced Capital Adequacy Framework would begin reporting on the proposed revised FFIEC 101 report effective March 31, 2015, rather than March 31, 2014.

Limited changes were made to the FFIEC 101 report in 2011 to simplify the reporting of and enhance the comparability of certain information collected in the report.

A fundamental aspect of the Advanced Capital Adequacy Framework is the use of a bank's internal risk estimates for many of the parameters used to derive risk-weighted assets. The FFIEC 101 report provides the agencies and, to a limited extent, the public a basis for comparing the main risk estimates (on an aggregated basis) that underlie a bank's risk-based capital measures across institutions and over time.

The changes to the FFIEC 101 report that are the subject of this submission and the reasons for the changes are described in detail in the agencies' initial and final Paperwork Reduction Act (PRA) Federal Register notices published on August 12, 2013, and January 14, 2014, respectively.

2. <u>Use of Information Collected</u>

The reporting requirements entail the quarterly collection of detailed information, encompassing up to approximately 2,700 data elements on nineteen schedules, that pertains to the main components of a respondent bank's regulatory capital and risk-weighted asset calculations under the Basel II final rule as revised by the agencies in 2013. The FDIC will use the information collected through these reporting requirements as they are proposed to be revised in the following ways:

- To assess and monitor the levels and components of each reporting bank's regulatory capital requirements and the adequacy of the bank's capital under the Advanced Capital Adequacy Framework, as revised in 2013, and the new supplementary leverage ratio;
- To evaluate the quantitative impact and competitive implications of the revised Advanced Capital Adequacy Framework on individual reporting banks and on an industry-wide basis; and
- To supplement on-site examination processes at individual reporting banks.

The reporting schedules will also assist banks in understanding expectations around the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework. Submitted FFIEC 101 report data that are released publicly on an individual institution basis will also provide other interested parties with information about advanced approaches institutions' regulatory capital.

3. <u>Use of Technology to Reduce Burden</u>

All reporting banks submit their reports electronically to the agencies using the FRB's Internet Electronic Submission (IESUB) application as the platform for collecting, validating, and managing the data.

4. Efforts to Identify Duplication

There is no other report that collects information pertaining to a bank's regulatory capital calculations under the Advanced Capital Adequacy Framework at the insured institution level. The Basel II final rule requires certain related public disclosures (referred to as Pillar 3 disclosures) at the consolidated holding company level. However, the regulatory reporting requirements in the FFIEC 101 report are generally more detailed than Pillar 3 disclosures, requiring reporting of greater detail about aggregated risk estimates underlying the calculation of a bank's risk-based capital ratios, and are also more standardized in terms of the breakdown of reported portfolio exposures and reported ranges of risk estimates. In addition, while the regulatory reporting requirements apply to large, internationally active organizations and their depository institution subsidiaries, the Pillar 3 disclosures would not be made by these subsidiary institutions. Thus, the Pillar 3 disclosures would not be an acceptable substitute for the Advanced Capital Adequacy Framework Regulatory Reporting Requirements.

5. Minimizing the Burden on Small Banks

Organizations that are subject to the Advanced Capital Adequacy Framework on a mandatory basis are large ($250 billion or more in consolidated assets) and internationally active organizations ($10 billion or more in consolidated on-balance sheet foreign exposures) and their depository institution subsidiaries. The FDIC believes these reporting requirements will have limited applicability to small institutions. The FDIC estimates that two FDIC-supervised institutions with assets of $500 million or less (out of a total of the 3,600 FDIC-supervised institutions with assets of $500 million or less) that are depository institution subsidiaries of large organizations would be subject to the final rule, and correspondingly the FFIEC 101 reporting requirements, on a mandatory basis.

6. Consequences of Less Frequent Collection

Less frequent reporting would reduce the ability of the FDIC to identify and respond in a timely manner to noncompliance with minimum regulatory capital ratios, adverse risk trends that become apparent in the forward-looking risk estimates reported by respondents, and evidence of risk estimates that call into question the accuracy of a bank's capital calculation or place other institutions with similar types of exposures at a competitive disadvantage. To be most useful as an off-site analytical tool, these reports are intended to correspond to the frequency and timing of other regulatory submissions including the Consolidated Reports of Condition and Income (Call Report)[3] and the Bank Holding Company FR Y-9C report.

7. Special Circumstances

There are no special circumstances.

[3] For the FDIC, OMB No. 3064-0052.

8. Summary of Public Comments

On August 12, 2013, the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), published an initial notice in the Federal Register (78 FR 48932) requesting public comment for 60 days on the revision with extension, of the FFIEC 101. The comment period for this notice expired on October 11, 2013. The agencies collectively received comments on the FFIEC 101 from one entity, a bankers' association. The agencies also received two additional comment letters from banking organizations on the proposed regulatory capital changes to the Call Report, which were included in the same initial Federal Register notice on August 12, 2013.[4] The comments received on the Call Report were taken into consideration in finalizing this proposal for the FFIEC 101. No comments specifically addressed the burden estimates or the proposed change in the confidential treatment for information reported in Schedule A, Advanced Approaches Regulatory Capital.

The commenter asked the agencies to clarify when an institution is required to file the FFIEC 101 report if the institution has triggered the criteria for applying the advanced approaches rule but has not yet begun its parallel run period. The agencies are clarifying that an institution would begin completing FFIEC 101 Schedule A at the end of the quarter after the quarter in which the institution triggers one of the threshold criteria for applying the advanced approaches rule or elects to use the advanced approaches rule.[5] However, the institution would not be required to report those Schedule A items that depend on the implementation of the advanced approaches rules (specifically, items 12, 50, 61 through 68, 78 through 79, and 86 through 90) and all the other schedules of the FFIEC 101 until the end of the first quarter in which the institution has begun its parallel run period.

The commenter asked how an advanced approaches institution that has not completed its parallel run period should report its supplementary leverage ratio in Call Report Schedule RC-R and in FFIEC 101 Schedule A, since such an advanced approaches institution has a longer time period

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[4] The agencies proposed to revise, and are separately requesting OMB approval to revise, the regulatory capital components and ratios portion of Call Report Schedule RC-R as follows:

- Existing items 1 through 33 of Schedule RC-R would be designated Part I.A, Regulatory Capital Components and Ratios, in March 2014. All institutions except advanced approaches institutions would complete Part I.A in their Call Reports for March 31 through December 31, 2014. No changes would be made to Part I.A in 2014.
- A new Part I.B, Regulatory Capital Components and Ratios, would be added to Schedule RC-R in March 2014. Advanced approaches institutions would complete Part I.B in their Call Reports for March 31 through December 31, 2014.
- Effective March 31, 2015, Part I.A would be removed from Schedule RC-R and Part I.B would be designated Part I, Regulatory Capital Components and Ratios. All institutions would then complete Part I of the schedule.

In addition, existing items 34 through 62 and Memorandum items 1 and 2 of Schedule RC-R would be designated Part II, Risk-Weighted Assets, in March 2014. No changes would be made in 2014 to Part II, which all institutions would complete in their Call Reports for March 31 through December 31, 2014.

[5] An institution is deemed to have elected to use the advanced approaches rule on the date that its primary federal supervisor receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the revised regulatory capital rules. After that date, in addition to being required to report on the FFIEC 101, Schedule A, the institution may no longer apply the AOCI opt-out election in section 22(b)(2) of the revised regulatory capital rules and it becomes subject to the supplementary leverage ratio in section 10(c)(4) of the revised regulatory capital rules and its associated transition provisions.

in which to submit the FFIEC 101 than the time period for submitting the Call Report. The agencies note that the calculation of the supplementary leverage ratio does not depend on the advanced approaches systems and thus this ratio can be calculated for purposes of the Call Report independent of an institution's preparation and submission of the FFIEC 101 report. Accordingly, consistent with the proposal, an advanced approaches institution that has not completed its parallel run would report the supplementary leverage ratio in Call Report Schedule RC-R and then it would report the details of its calculation of the supplementary leverage ratio on FFIEC 101 Schedule A by this report's later submission deadline. Similar to current reporting practices, if an institution calculates its FFIEC 101 data and discovers that the supplementary leverage ratio reported on its Call Report is not correct, the institution should submit an amended Call Report with the corrected information.

The commenter also asked for clarification of a limited number of line item instructions in Schedules A, B, H through O, and Q. The agencies are clarifying the instructions for these line items to the extent considered appropriate by revising and expanding specific instructions.

The agencies also note that the FFIEC 101 report title would be modified from "Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework" to "Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework." In addition, the agencies are modifying the name of Schedule A from "Schedule A–Advanced Risk-based Capital" to "Schedule A–Advanced Approaches Regulatory Capital." These modifications are consistent with the proposed revisions to the FFIEC 101, which entail the collection of data on regulatory capital and not just risk-based capital.

Schedule A–Advanced Approaches Regulatory Capital

Under the proposal, revised FFIEC 101 Schedule A incorporates the Basel III common disclosure template to ensure consistency and comparability of reporting of regulatory capital elements by advanced approaches institutions. Although the proposed revisions to Schedule A of the FFIEC 101 are consistent with the regulatory capital reporting approach followed in proposed Part I.B of Call Report Schedule RC-R, Schedule A provides a more granular breakdown of regulatory capital elements, deductions and adjustments, and regulatory capital instruments subject to phase-out, consistent with the Basel III common disclosure template.

The agencies received a number of questions on the reporting treatment for items subject to transition provisions, as described in section II.B of this notice. The agencies have clarified the reporting instructions for the applicable proposed line items in Schedule RC-R, Part I.B. The instructions for the corresponding line items in proposed revised FFIEC 101 Schedule A refer institutions to the Schedule RC-R, Part I.B, instructions. Since advanced approaches institutions would be able to continue to import the amounts to be reported in the majority of the line items in proposed revised FFIEC 101 Schedule A from proposed Call Report Schedule RC-R, Part I.B, the agencies do not believe it is necessary to modify the instructions for the same line items of FFIEC 101 Schedule A.[6]

[6] Advanced approaches institutions that file the FR Y-9C rather than the Call Report would be able to import the amounts to be reported in the majority of the line items in proposed revised FFIEC 101 Schedule A from the Federal Reserve's proposed revised Schedule HC-R.

Supplementary leverage ratio: Proposed line items 91 through 98 in Schedule A would collect data on a new supplementary leverage ratio requirement for advanced approaches institutions, effective March 31, 2015. The commenter asked the agencies to confirm the effective date for reporting the supplementary leverage ratio. The agencies have modified the proposed reporting form and the instructions for items 91 through 98 of Schedule A to clarify that these items must be reported for report dates after January 1, 2015. Until such time, the corresponding cells in the reporting form for Schedule A would be shaded out.

B. Schedules B, C, D, H, I, J, P, Q, R, and S: Risk-weighted assets

The proposal described proposed revisions to several of the risk-weighted assets schedules in the FFIEC 101, which are intended to be consistent with the revised advanced approaches rules to calculate risk-weighted assets. The proposal would revise Schedules B, C, D, H, I, J, P, Q, and R as follows:

- Under Schedule B (summary table), the agencies proposed new line items to reflect the proposed changes in schedules C through R.
- Under Schedules H and J, the agencies proposed new line items to capture Credit Valuation Adjustment (CVA) amounts.
- Under Schedule P, the agencies proposed an updated securitization table.
- Under Schedule Q, the agencies proposed a new table to reflect cleared transactions.
- Under Schedules C, D, H, I, and J, the agencies proposed to collect data on exposures subject to a 1.25 asset correlation factor.
- Under Schedules H, I, and J, the agencies proposed data collections related to the internal models methodology (IMM), margin period of risk, and specific wrong-way risk.
- Under Schedule R, the agencies proposed removing items pertaining to an equity exposure treatment no longer permitted under the revised advanced approaches rule.

The agencies received comments from one commenter on the proposed revisions to these schedules. The following highlights only those areas of the proposed revisions for which the agencies received comments.

1.06 Scaling Multiplier and "Assets Not Included in a Defined Exposure Category" in Schedule B – The agencies did not propose to revise the FFIEC 101 regarding the 1.06 scaling multiplier in existing line item 28 of Schedule B, which was proposed to be renumbered as line item 30, "Total credit risk weighted assets (Cell G-29 x 1.06)." The commenter asked whether the 1.06 multiplier should be applied to all credit risk exposures, including "Assets Not Included in a Defined Exposure Category," non-material portfolios, mortgage servicing rights, DTAs, and securitization exposures subject to a 1,250 percent risk weight.

The agencies reviewed the comment and determined that no change to renumbered line item 30 is necessary. Renumbered line item 27 in proposed revised Schedule B, "Assets Not Included in a Defined Exposure Category," has always been subject to the 1.06 scaling multiplier. In addition, consistent with the revised regulatory capital rules, wholesale, retail, securitization, and equity exposures are all subject to the 1.06 multiplier. The CVA capital requirement is explicitly singled out in the revised regulatory capital rules as not being subject to the 1.06 multiplier. Therefore, all exposures except for the CVA charge are subject to the 1.06 scaling multiplier, as proposed for Schedule B. The agencies also are clarifying in the Schedule B instructions that exposures representing items in process of collection that are assigned a risk weight of 20 percent should be reported in line item 27, "Assets Not Included in a Defined Exposure Category."

<u>CVAs and Weighted Average Maturity Calculation in Schedules B, H, and J</u> – The agencies proposed to insert memoranda items in Schedule H (Wholesale Exposure: Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives with Cross-Product Netting) and Schedule J (Wholesale Exposure: OTC Derivatives No Cross-Product Netting) to reflect the new CVA requirements for over-the-counter (OTC) derivative activities under the revised regulatory capital rules.

The commenter observed that the CVA requirement is a portfolio calculation and would therefore encompass transactions with and without cross-product netting. The commenter sought clarification on where institutions should report the CVA exposure and risk-weighted asset amounts since each institution would only be reporting the CVA information on a single line item (rather than the two proposed line items in Schedules H and J). In addition, the commenter requested clarification on the calculation of weighted average maturity.

In response to this comment, the agencies have decided to remove the CVA memoranda items from Schedules H and J and instead collect this information in Schedule B. The agencies believe this is the appropriate location for reporting CVA information because Schedules H and J would otherwise needlessly require reporting institutions to distinguish between derivative transactions with and without cross-product netting for purposes of allocating CVAs measured at the portfolio level to subsets of the portfolio. Therefore, the agencies have agreed to insert the following line items in Schedule B: line item 31.a, "Credit valuation adjustment – simple approach," and line item 31.b: "Credit valuation adjustment – advanced approach." For the relevant Schedule B line item (either 31.a or 31.b), the reporting institutions would be required to report the amounts for risk-weighted assets and the exposure at default of exposures used to calculate CVA. The exposure at default information pertaining to CVA would remain confidential, even after an institution completes its parallel run period. These line items would replace proposed Schedule B line item 31, "Total CVA RWA for OTC derivative transactions."

In addition, if institutions apply a maturity floor, the general instructions for Schedule B clarify that reporting institutions should be consistent in the methodology they employ for calculating the weighted average maturity amount.

<u>Holding Period or Margin Period of Risk in Schedules H, I, and J</u> – The agencies proposed to insert memoranda items in Schedule H (Wholesale Exposure: Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives with Cross-Product Netting), Schedule I (Wholesale Exposure: Eligible Margin Loans and Repo-Style Transactions No Cross-Product Netting), and Schedule J (Wholesale Exposure: OTC Derivatives No Cross-Product Netting) to reflect the new capital requirements for the margin period of risk and wrong-way risk in the advanced

approaches. The calculations and requirements associated with margin period of risk and wrong-way risk are described in section 132 of the revised regulatory capital rules.

The commenter asked how to report securities that have a "holding period or margin period of risk set for 20 days," but also meet the criteria for "holding period or margin period of risk set for at least twice the minimum holding period that would otherwise be used (due to at least 3 disputes)." The agencies have agreed to clarify in the instructions that transactions meeting both criteria should be reported in one location under column C, "Holding period or margin period of risk set for at least twice the minimum holding period that would otherwise be used (due to at least 3 disputes)."

Reporting the credit scoring system in Schedules K through O – In their draft of the proposed revised FFIEC 101 reporting form, the agencies inadvertently removed the text field from existing item 18, which the agencies proposed to renumber as memorandum item 2, "Credit scores shown in Column O are from which credit scoring system(s)?" The agencies have agreed to correct this design error by restoring the text field, consistent with the public comment.

Whether Exposure Amounts are Inclusive of Initial Margin in Schedule Q – The agencies proposed a new Schedule Q (Cleared Transactions) to capture exposures to central clearing parties, consistent with section 133 of the revised regulatory capital rules.[7] The commenter sought clarification on whether proposed line items 3 and 4 were inclusive of initial margin. The agencies have agreed to clarify the instructions, including a reference to the definition of a trade exposure under the capital rules, which explains that the line item values in question should be inclusive of initial margin.

250 Percent Risk Weight Category for Significant Investments in Unconsolidated Financial Institutions in Schedule R – The commenter highlighted that the proposed revisions to Schedule R (Equity Exposures) did not include a new field for equity exposures receiving a 250 percent risk weight that are significant investments in unconsolidated financial institutions that fall below the 10 and 15 percent deduction thresholds. Accordingly, the agencies have agreed to insert a field for this risk weight category as line item 7 in Schedule R. (Thus, line items 7 through 13 in the initial draft of proposed revised Schedule R would be renumbered as line items 8 through 14.)

Schedule S–Operational Risk – The agencies originally did not propose to revise Schedule S (Operational Risk). However, consistent with prior feedback received from reporting institutions, the agencies are proposing to clarify the existing instructions for several line items in Schedule S. The agencies believe these changes do not result in the collection of any new data, nor do they impact where institutions report operational risk data in Schedule S. Clarifications have been made to the instructions for the following Schedule S line items:

- Line Item 3, "Expected Operational Loss (EOL)";
- Line item 5, "Dependence Assumptions";

[7] Proposed new Schedule Q–Cleared Transactions would replace existing Schedule Q–Securitization Detail Schedule.

- For items 8 through 15, the instructions indicate that legal reserves should be included for the purpose of determining frequency counts, total loss amounts, and loss maximums;
- Line item 9, “Highest dollar threshold applied in modeling internal operational loss event data”;
- Line items 11 through 15 related to loss-amount information;
- Line item 16, “How many individual scenarios were used in calculating the risk-based capital requirement for operational risk”;
- Line item 17, “What is the dollar value of the largest individual scenario”; and
- Line item 18, “Number of scenarios in the following ranges (e.g., ≥ $1 million and < $10 million).”

**The agencies also published a separate final PRA Federal Register notice on January 14, 2014 (79 FR 2527), pertaining to certain proposed regulatory capital reporting changes to Call Report Schedule RC-R, Regulatory Capital, and the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.[1] The agencies' initial PRA Federal Register notice for this regulatory capital reporting proposal had been published in the Federal Register on August 12, 2013 (78 FR 48932). The proposed regulatory capital reporting changes that were the subject of these initial and final PRA Federal Register notices were previously submitted to OMB for review and approval.[2]**

**The agencies received one comment letter from a banking organization in response to their January 2014 final PRA Federal Register notice on the proposed regulatory capital reporting changes to Call Report Schedule RC-R and the FFIEC 101. The commenter addressed the netting of mortgage servicing assets (MSAs) and related deferred tax liabilities (DTLs) for purposes of calculating risk-weighted assets. The agencies' proposed draft regulatory capital reporting instructions specify that MSAs and DTLs may not be netted for purposes of calculating risk-weighted asset amounts. The commenter expressed concern that the proposed instructions did not permit MSA and DTL netting for purposes of this calculation while permitting it for purposes of calculating regulatory capital deductions and adjustments.**

**The agencies considered this risk-weighting issue in connection with questions raised in comments submitted by a bankers' association in response to the agencies' August 2013 initial PRA Federal Register notice, one of which sought clarification of the reporting of the risk-weighted portion of an item, such as MSAs, subject to deduction in Schedule RC-R. After joint deliberation on this issue, the agencies concluded that the netting of DTLs against MSAs is appropriate only for purposes of calculating the amount of MSAs that is subject to deduction from capital under the agencies' revised regulatory capital rules, but is not appropriate for risk-weighting purposes. This conclusion is consistent with the agencies' interpretation of section 22(d)(2), including footnote 24, and section 32(l)(4) of the agencies' revised regulatory capital rules.[3] Thus, the agencies propose to retain the draft instructions describing the reporting, for risk-weighting purposes, of items, such as MSAs, against which DTLs may be netted when determining regulatory capital deductions, consistent with the discussion of this matter in the agencies' January 2014 final PRA Federal Register notice.**

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

All data submitted in the FFIEC 101 report will be shared among the agencies but, pursuant to 5 U.S.C. § 552(b)(4) and (8), these data will not be released to the public except as follows.

For report dates before March 31, 2014, for reports that a reporting institution files after its parallel run period, all items reported in Schedule A–Advanced Approaches Risk-based Capital and Schedule B–Summary Risk-Weighted Asset Information and items 1 and 2 of Schedule S–Operational Risk will be available to the public. All other items on the report are confidential after a reporting institution's parallel run period. Every reporting item on the FFIEC 101 report is granted confidential treatment during a reporting institution's parallel run period.

Effective March 31, 2014, for report dates before a reporting institution has completed its parallel run period, Schedule A–Advanced Approaches Regulatory Capital will be available to the public on an individual institution basis, except for items 78 (total eligible credit reserves calculated under the advanced approaches rules); 79 (amount of eligible credit reserves includable in tier 2 capital); 86 (expected credit loss that exceeds eligible credit reserves); 87 (advanced approaches risk-weighted assets); 88 (common equity tier 1 capital ratio calculated using the advanced approaches); 89 (additional tier 1 capital ratio calculated using the advanced approaches); and 90 (total capital ratio using the advanced approaches). All of the information reported in the other schedules of the FFIEC 101 will be confidential.

Effective March 31, 2014, for report dates after a reporting institution has completed its parallel run period, all items reported in Schedule A–Advanced Approaches Regulatory Capital and Schedule B–Summary Risk-Weighted Asset Information (except for Schedule B, items 31.a and 31.b, column D) and items 1 and 2 of Schedule S–Operational Risk will be available to the public on an individual institution basis. All other items reported in the FFIEC 101 will be confidential.

11. Information of a Sensitive Nature

The FFIEC 101 report contains no questions of a sensitive nature.

12. Estimate of Annualized Burden

The proposed revisions to the FFIEC 101 report are expected to increase the estimated reporting burden for this report from 625 to 675 hours per quarter, on average, for each FDIC-supervised institution required to prepare the FFIEC 101 report. There are 8 FDIC-supervised institutions that are required to submit the FFIEC 101 report each quarter. The total estimated annual reporting burden for these banks is 21,600 hours. These estimates reflect considerations pertaining to the time required to complete other types of regulatory reports as well as the greater level of detail required in the FFIEC 101 report relative to other regulatory submissions.

The annual recurring salary and employee benefit cost to the FDIC-supervised institutions that will be subject to these reporting requirements for the burden hours shown above is estimated to be $3,240,000. This cost is based on the application of an hourly rate of $150 to the estimated 21,600 total hours of annual reporting burden, which considers the specialized technical skills in the fields of credit risk and operational risk of those bank staff members involved in implementing the Advanced Capital Adequacy Framework who are responsible for completing the regulatory reporting requirements as well as time spent by executive officers responsible for reviewing and approving the completed FFIEC 101 report prior to submission.

13. Estimate of Total Annual Cost Burden

Under the capital requirements under the Advanced Capital Adequacy Framework, as recently revised, banks are required to maintain a significant volume of information to support the risk estimates used in the calculation of regulatory capital in accordance with these rules. There are certain additional costs (excluding costs included in Item 12 above) associated with implementing the framework's advanced approaches and the FFIEC 101 reporting requirements relating to developing and maintaining software, data systems, and data processing capabilities. It is difficult to develop estimates of capital and start-up costs as well as operation and maintenance/purchase of services costs that distinguish between those pertaining to these reporting requirements and those related to satisfying the requirements of the Advanced Capital Adequacy Framework.[8] The agencies did not receive any comments on start-up or operation and maintenance costs with respect to the FFIEC 101 reporting requirements when they were first published for comment[9] or when they requested comment in connection with the revisions to the FFIEC 101 report that are the subject of this submission.

14. Estimate of Total Annual Cost to the Federal Government

Data submissions are received and processed by the FRB using their IESUB application as the data processing platform. The FDIC does not incur material incremental costs in connection with the collection of these data.

[8] See 72 FR 69392, December 7, 2007, for a discussion of cost estimates of implementing the original Basel II final rule.

[9] See 71 FR 55981, September 25, 2006.

15. Reason for Change in Burden

The change in burden associated with this submission is caused by two factors: (1) a decrease (by one) in the number of FDIC-supervised institutions subject to the FFIEC 101 reporting requirements and (2) the changes to the FFIEC 101 reporting requirements that are the subject of this submission and are expected to increase the estimated reporting burden for this report from 625 to 675 hours per quarter.

Currently, there are 8 FDIC-supervised institutions subject to the FFIEC 101 reporting requirements compared to the 9 institutions in the currently approved information collection inventory. The analysis of the change in burden requested in this submission is as follows:

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|---|---|
| Currently approved burden | 22,500 hours |
| Revisions to content of report (program change) | + 1,600 hours |
| Adjustment (change in use) | - 2,500 hours |
| Requested (revised) burden: | 21,600 hours |

Net change in burden: - 900 hours

16. Publication

The information collected in the FFIEC 101 report is intended primarily to meet the supervisory and policy needs of the FDIC and the other agencies. As such, the majority of the reported items are afforded confidential treatment. As discussed in Section 10 above, effective March 31, 2014, for report dates before a reporting institution has completed its parallel run period, most of the data items in Schedule A–Advanced Approaches Regulatory Capital will be made available to the public through the Internet on an individual bank basis. In addition, for report periods after the reporting institution completes its parallel run, all items reported in Schedule A–Advanced Approaches Regulatory Capital and Schedule B–Summary Risk-Weighted Asset Information (except for Schedule B, items 31.a and 31.b, column D) and items 1 and 2 of Schedule S– Operational Risk will be available to the public on an individual bank basis.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.