

**Supporting Statement for the  
Advanced Capital Adequacy Framework Regulatory Reporting Requirements  
(FFIEC 101; OMB No. 7100-0319)**

**Summary**

The Board of Governors of the Federal Reserve System (Federal Reserve) requests approval from the Office of Management and Budget (OMB) to revise with extension, the quarterly Federal Financial Institutions Examination Council (FFIEC) Advanced Capital Adequacy Framework Regulatory Reporting Requirements (FFIEC 101; OMB No. 7100-0319). The FFIEC, of which the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (the agencies) are members, has approved a proposal to revise the regulatory capital components and ratios portion of the FFIEC 101. The FFIEC 101 is required for certain large or internationally active state member banks and bank holding companies (BHCs) and also for those institutions that adopt the framework on a voluntary basis. The FDIC, the OCC have also submitted a similar request for OMB review in order to request this information from banks under their supervision.

The Federal Deposit Insurance Act (FDI Act) and the International Lending Supervision Act of 1983 (ILSA) require the agencies to have risk-based capital requirements and to ensure that banks maintain adequate capital. The Federal Reserve uses these data to assess and monitor the levels and components of each reporting entity's risk-based capital requirements and the adequacy of the entity's capital under the framework. These data also allow the Federal Reserve to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the industry. The reporting schedules also assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the framework. The submitted data that is released publicly also provide other interested parties with information about banks' risk-based capital. Finally, the submitted data supplement on-site examination processes.

Respondents are required to submit detailed data on the components of their capital and risk-weighted assets in 19 schedules. The agencies propose to implement revisions to regulatory capital components and ratios of the Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101). The proposed revisions to the FFIEC 101 are consistent with the revised regulatory capital rules approved by the agencies during July 2013 (revised regulatory capital rules)<sup>1</sup>. Institutions subject to the advanced approaches risk-based capital rules (advanced approaches banking organizations) that are not savings and loan holding companies would begin reporting on the proposed revised FFIEC 101 effective March 31, 2014. Advanced approaches banking organizations that are savings and loan holding companies and that are subject to the revised regulatory capital rules would begin reporting on the proposed revised FFIEC 101 effective March 31, 2015.

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<sup>1</sup> See [www.occ.treas.gov/news-issuances/news-releases/2013/nr-occ-2013-110.html](http://www.occ.treas.gov/news-issuances/news-releases/2013/nr-occ-2013-110.html), July 9, 2013 (OCC); [www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm), July 2, 2013 (Board); and [www.fdic.gov/news/news/press/2013/pr13060.html](http://www.fdic.gov/news/news/press/2013/pr13060.html), July 9, 2013 (FDIC).

The Federal Reserve's total annual burden for this information collection is currently estimated to be 52,500 hours, and with the proposed revisions would increase to 54,000 hours for the 20 Federal Reserve-regulated respondents that meet the reporting criteria. Draft copies of the reporting forms and instructions are available on the FFIEC website: [www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm).

## **Background and Justification**

Section 1831(o) of the FDI Act requires each Federal banking agency to adopt a risk-based capital requirement, which is based on the prompt corrective action framework in that section. The ILSA, 12 U.S.C. § 3907(a)(1), mandates that each Federal banking agency require banks to achieve and maintain adequate capital by establishing minimum levels of capital or by other methods that the appropriate federal banking agency may deem appropriate. Section 908 of the ILSA, 12 U.S.C. § 3907(b)(3)(C), also directs the Chairman of the Federal Reserve Board and the Secretary of the Treasury to encourage governments, central banks, and regulatory authorities of other major banking countries to work toward maintaining and, where appropriate, strengthening the capital bases of banking institutions involved in international lending.

U.S. risk-based capital requirements are based on an internationally agreed upon framework for capital measurement that was developed by the Basel Committee on Banking Supervision (BCBS) and endorsed by the central-bank governors of the Group of Ten (G-10)<sup>2</sup> Countries in 1988. Although the 1988 Accord has been a stabilizing force for the international banking system, the world financial system has become increasingly more complex. The BCBS developed a new regulatory capital framework that recognizes new developments in financial products, incorporates advances in risk measurement and management practices, and more precisely assesses capital charges in relation to risk. In April 2003, the BCBS released for public comment a document entitled, *The New Basel Capital Accord (Proposed New Accord)*, that set forth proposed revisions to the 1988 Accord. Also, the agencies participated with other members of the BCBS during the development of the New Accord, which was issued in June 2004. The agencies also participated in the Fourth Quantitative Impact Study during the fall and winter of 2004-2005 (QIS 4; OMB No. 7100-0303), to better understand the potential impact of the proposed framework on the risk-based capital requirements for banks.

On December 7, 2007, the agencies published a final rule in the *Federal Register*, entitled *Risk-Based Capital Standards: Advanced Capital Adequacy Framework – Basel II*. This final rule was based on the New Basel II Capital Accord and recognizes developments in financial products, incorporates advances in risk measurement and management practices, and imposes capital requirements that are generally more sensitive to risk. In particular, the final rule requires banks to assign risk parameters to exposures and provides specific risk-based capital formulas that would be used to transform these risk parameters in to risk-based capital requirements. Included within the final rule are requirements for public disclosure of certain information at the consolidated banking organization level as well as a reference to certain additional regulatory reporting requirements for banks and BHCs. The additional regulatory reporting requirements

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<sup>2</sup> The Group of Ten is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States) which consult and cooperate on economic, monetary and financial matters.

referenced within the final rule, and described more fully herein, comprise the agencies' regulatory reporting requirements.

The Federal Reserve uses the data collected to:

- Assess the components of each bank's risk-based capital requirements;
- Assess each bank's capital relative to inherent risks and the Federal Reserve's minimum capital requirements;
- Monitor the levels and components of the risk-based capital requirements for banks through peer, outlier, and risk trend analyses;
- Evaluate the quantitative impact and competitive implications of the implementation of the framework on risk-based capital levels within reporting banks and on an overall industry basis;
- Provide market participants, depositors, the public, supervisors, and other interested parties with information about banks' risk-based capital; and
- Supplement on-site examination processes and decisions pertaining to the allocation of supervisory resources.

In addition, this proposal assists supervised institutions in understanding expectations surrounding the system development necessary for implementation and validation of the framework.

The Federal Reserve needs to monitor and assess international active banks' conformance with capital adequacy standards and understand the capital resulting from the implementation of the framework. The general risk-based regulatory capital data submitted by international active banks does not provide enough relevant information regarding risk-based capital under the framework. Because the final rule includes transitional arrangements that involve capital floors linked to the general risk-based capital rules (as defined in the final rule), the Federal Reserve believes it is necessary to require data submissions under both the general risk-based capital rules and advanced risk-based capital frameworks for as long as a bank is subject to risk-based capital floors.

As noted in the final rule, the Federal Reserve conducts analyses to gauge the impact of the framework, and the preparedness of banks to compute risk-based capital consistent with those requirements, during the parallel run and transitional floor periods. Data submitted through these reporting requirements, combined with dual reporting requirements for the general risk-based capital data, provides quantitative support for these impact analyses. Such analyses also helps the Federal Reserve evaluate the competitive and cyclical implications of the framework relative to capital requirements for banks subject to the general risk-based capital rules and the adequacy of capital generated under the framework. General risk-based capital data are currently captured in the Consolidated Reports of Condition and Income (Call Report) for banks (FFIEC 031 or FFIEC 041; Federal Reserve OMB No. 7100-0036) and the FR Y-9C.

The FFIEC 101 is necessary to ensure that the new risk-based regulatory capital framework is implemented in the United States in a safe and sound manner. There is no other reporting form that collects from all banks and BHCs the information that is gathered through the FFIEC 101.

## Description of Information Collection

### *Who Must Report*

The FFIEC 101 information collections are mandatory for institutions using the advanced approaches risk-based capital rule (advanced approaches banking organizations): 12 U.S.C. 161 (national banks), 12 U.S.C. 324 and 12 U.S.C. 1844(c) (state member banks and bank holding companies, respectively), 12 U.S.C. 1467a(b) (savings and loan holding companies), 12 U.S.C. 1817 (insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (savings associations).

### *Overview of the Data Collection*

Respondents are required to submit detailed data on the components of their capital and risk-weighted assets in nineteen schedules (A through S). A limited portion of this data is publicly available (Schedules A and B and data items 1 and 2 of Schedule S). The majority of the data is not publicly available.

### **Publicly Available Data**

Schedules A and B (and data items 1 and 2 of proposed Schedule S, Operational Risk) include data items that are publicly available for each reporting entity for reporting periods subsequent to its parallel run period. Schedule A contains information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital as defined within the NPR. Schedule B contains summary information about risk-weighted assets by risk type, and, in the case of credit risk exposures, outstanding balances and aggregated information about the drivers and estimates that underlie the calculation of risk-weighted assets.

The general exposure breakdowns in Schedule B are as follows:

- Wholesale Exposures, including separate reporting for the following types of exposures: Corporate; Bank; Sovereign; Income Producing Real Estate; High Volatility Commercial Real Estate; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives with Cross Product Netting; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives without Cross Product Netting;
- Retail Exposures, including separate reporting for the following types of exposures: Residential Mortgage Closed-end First Liens, Residential Mortgage Closed-end Junior Liens, Residential Mortgage Revolving Exposures, Qualifying Revolving Exposures, and Other Retail Exposures;
- Securitization Exposures;
- Equity Exposures;
- Other Assets;
- Excess Eligible Credit Reserves Not Included in Tier 2 Capital;
- Market Risk Equivalent Assets; and
- Operational Risk.

Some of the aggregate data items submitted in Schedule B are derived from information contained in the more detailed confidential supporting schedules described below. The data

contained in Schedule B describe the main summary-level components of banks' risk-weighted assets, but would not allow users to exactly replicate banks' risk-weighted asset calculations since the data are averaged, weighted, and rounded.

Schedule S shows the data items within the operational risk exposure class that banks submit. Data items 1 and 2 are publicly available and include high-level information on operational risk capital, expected operational loss, eligible operational risk offsets, and total risk-based capital requirements for operational risk.

The intent of these disclosures is to provide market participants, depositors, supervisors, the public, and other interested parties with a sufficient level of detail (comparable, in principle, to risk-based capital information collected currently) about banks' major capital and risk-weighted asset components as well as summary information about the composition of regulatory capital and the risk parameters that underlie risk-weighted asset calculations.

### **Non-publicly Available Data**

The data items contained in Schedules C through S describe the main components of banks' risk-weighted assets and are essentially expanded detail of the more summary information contained in the public data items shown in Schedule B. The data submitted in these schedules are not made available to the public (except for data items 1 and 2 of Schedule S, Operational Risk). Supervisors request these data to support comparisons of certain critical capital drivers across banks and across time. For the reasons cited previously, however, the information contained in the columns of the tables would not allow users to exactly replicate banks' risk-weighted asset calculations. A brief description of the content of Schedules C through S follows.

**Wholesale Exposures.** Schedules C through J show data items within the wholesale exposure category that are submitted. Each schedule represents a sub-portfolio of the wholesale exposure category as listed on the public Schedule B. For each reported sub-portfolio, the schedule groups exposures into sub-portfolio segments using supervisor-defined probability of default (PD) ranges. The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment.

**Retail Exposures.** Schedules K through O show data items within the retail exposure category that are submitted. Again, each schedule represents a sub-portfolio of the retail exposure category as listed on the public Schedule B. PD ranges are used to sub-divide each sub-portfolio into segments.<sup>3</sup> The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment. The retail schedules also incorporate risk characteristics that are believed to be commonly used drivers within banks' risk management and measurement processes, including the distribution of each sub-portfolio segment by loan-to-value ranges (applies only to real estate exposures), weighted average credit bureau score, and weighted average account age.<sup>4</sup>

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<sup>3</sup> Unlike the wholesale credit exposure reporting schedules, the PD ranges for retail exposures differ from sub-portfolio to sub-portfolio.

<sup>4</sup> For qualifying revolving exposures and other (non-mortgage) retail exposures, the exposure at default (EAD) of accounts under two years old is reported instead of weighted average age for each sub-portfolio exposure segment.

**Securitization Exposures.** Schedules P and Q show data items within the securitization exposure class that are submitted. Schedule P provides information by rating categories about exposures subject to either the Ratings-Based Approach (RBA) or the Internal Assessment Approach (IAA). Schedule Q provides certain memoranda information about unrated securitization exposures, exposures treated under the Supervisory Formula Approach, synthetic securitizations, and risk-weighted assets relating to early amortization features of securitizations as prescribed in the NPR.

**Equities.** Schedule R provides information about a bank's equity exposures by type of exposure and by approach to measuring required capital. Schedule R also provides information on equity exposures subject to specific risk weights and equity exposures to investment funds. A bank also completes the appropriate section of the schedule based on whether it uses a simple risk-weight approach, a full internal models approach, or a partially modeled approach to measuring required capital for equity exposures.

**Operational Risk.** Schedule S shows the data items within the operational risk exposure class that banks submit. Data items submitted in this schedule, which are confidential, include various details about historical operational losses, on a stand-alone and group-wide basis, for the current reporting period and those historical operational losses used to model operational risk capital. The schedule also contains confidential data items related to scenarios, distribution assumptions, and loss caps used to model operational risk capital.

### *Proposed Revisions*

#### A. Schedule A: Advanced Risk-Based Capital

The proposed revised FFIEC 101 Schedule A incorporates the Basel III common disclosure template to ensure consistency and comparability of reporting of regulatory capital elements by internationally active institutions. Although the changes proposed to be made to Schedule A of the FFIEC 101 are consistent with the regulatory capital reporting approach followed in proposed Call Report Schedule RC-R, Part I.B, advanced approaches banking organizations would provide a more granular breakdown of regulatory capital elements, deductions and adjustments, and regulatory capital instruments subject to phase-out in Schedule A, consistent with the Basel III common disclosure template. Advanced approaches banking organizations would be able to continue to import the majority of the line items from proposed Call Report Schedule RC-R, Part I.B, into proposed revised FFIEC 101 Schedule A.<sup>5</sup>

*Reporting confidential line items during the parallel run period:* The agencies propose to make public the information collected on proposed revised Schedule A, except for a few specific line items, for all advanced approaches banking organizations, starting with the March 31, 2014, report date. Since the majority of the line items on the proposed Schedule A would also be publicly reported on the proposed Call Report Schedule RC-R, the additional disclosure of

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<sup>5</sup> Advanced approaches banking organizations that file the FR Y-9C rather than the Call Report would be able to import the majority of the line items from proposed revised Schedule HC-R published by the Federal Reserve Board into proposed revised FFIEC 101 Schedule A.

regulatory capital elements on proposed revised Schedule A while the institution is conducting its parallel run would be minimal.

The agencies propose to grant confidential treatment to items that are dependent on the implementation of the advanced approaches systems to ensure compliance with the revised advanced approaches rules. Specifically, while an institution is conducting its parallel run, the following line items on proposed revised Schedule A would be reported on a confidential basis using the revised advanced approaches rules: item 78 (total eligible credit reserves calculated under the advanced approaches rules); item 79 (amount of eligible credit reserves includable in tier 2 capital); item 86 (expected credit loss that exceeds eligible credit reserves); item 87 (advanced approaches risk-weighted assets); item 88 (common equity tier 1 capital ratio calculated using the advanced approaches); item 89 (tier 1 capital ratio calculated using the advanced approaches); and item 90 (total capital ratio using the advanced approaches). In addition, an institution that is conducting its parallel run would report “zero” in line item 12 (expected credit loss that exceeds eligible credit reserves) and would report line item 50 (eligible credit reserves) and line item 60 (total risk-weighted assets) by applying the general risk-based capital rules in 2014 and the standardized approach in 2015.

After an institution conducts a satisfactory parallel run, the entire Schedule A would be made public. In addition, such an institution would then begin to report line item 12 (expected credit loss that exceeds eligible credit reserves), line item 50 (eligible credit reserves), and line item 60 (total risk-weighted assets) using the revised advanced approaches rules.

*Supplementary leverage ratio:* Proposed line items 91 through 98 in the Schedule A would collect data on a new supplementary leverage ratio requirement for advanced approaches banking organizations, effective March 31, 2015. Consistent with the revised regulatory capital rules, an advanced approaches banking organization would report the supplementary leverage ratio calculated as the simple arithmetic mean of the three monthly leverage ratios over the reporting quarter.

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

This section describes the proposed revisions to Schedules B, C, D, H, I, J, P, Q, and R of the FFIEC 101, which are intended to be consistent with the revised advanced approaches rules to calculate the risk-weighted assets. The proposed revisions reflect changes to the methodologies for calculating regulatory capital for counterparty credit risk, securitization exposures, and exposures to central counterparties (CCPs). In addition, the proposed changes incorporate capital requirements for credit valuation adjustments (CVA), wrong-way risk, margin risk, exposures subject to a wholesale correlation factor multiplier of 1.25, cleared derivative and repo-style transactions, and default fund contributions to CCPs.

As is currently the case, FFIEC 101 Schedules B through S will be given confidential treatment while an institution is conducting its parallel run. Also, as is currently the case, after an institution conducts a satisfactory parallel run, Schedule B and line items 1 and 2 of Schedule S will no longer be given confidential treatment.

### Schedule B: Credit valuation adjustments (CVAs)

The proposed insertion of line items in Schedule B: line item 31.a, “Credit valuation adjustment – simple approach,” and line item 31.b: “Credit valuation adjustment – advanced approach.” reflects the CVA requirements for over-the-counter (OTC) derivative activities. Under the revised regulatory capital rules, CVA is the fair value adjustment to reflect counterparty credit risk in the valuation of an OTC derivative contract. Advanced approaches banking organizations must hold capital to reflect the CVA due to changes in counterparties’ credit spreads, assuming fixed expected exposure (EE) profiles. The advanced approaches rules provide two approaches for calculating the CVA capital requirement: the simple and advanced CVA approaches. The conditions for each approach, as well as the methods for calculation, are described in section 132 of the revised regulatory capital rules.

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.

### Schedule P: Securitization exposures

The agencies propose to combine the current Schedule P (Securitization Exposures Subject to Ratings-based or Internal Assessment Approaches) and Schedule Q (Securitization Detail Schedule) into a new Schedule P (Securitization Exposures). This proposed revision reflects a number of changes to the securitization framework, including the replacement of the ratings-based and internal assessment approaches from the advanced approaches rules with the simplified supervisory formula approach, and the introduction of a specific treatment for resecuritization exposures. The revised advanced approaches rules introduce enhanced due diligence requirements and require banking organizations to assign higher risk weights to resecuritization exposures than other securitization exposures with similar credit characteristics. The revised advanced approaches rules introduce new operational criteria for recognizing risk transfer as well as revisions to the hierarchy of approaches in the securitization framework. The operational criteria as well as the revised hierarchy of approaches are described in sections 141 through 145 of the revised regulatory capital rules.

### Schedule Q: Cleared transactions

The proposed new Schedule Q (Cleared Transactions) reflects the treatment for cleared transactions and is intended to capture exposures to CCPs. The revised advanced approaches rules introduce a capital requirement for transactions with CCPs and a more risk-sensitive approach for determining the capital requirement for a banking organization’s contributions to



the default funds of these CCPs. The calculation of the trade exposure amount for a cleared transaction is described in section 133 of the revised regulatory capital rules.

#### Schedules C, D, H, I, and J: Exposures subject to a 1.25 asset correlation factor

The proposed insertion of memorandum items in Schedule C (Wholesale Exposure: Corporate), Schedule D (Wholesale Exposure: Bank), 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) reflects the new 1.25 asset correlation factor for certain unregulated financial institutions as well as regulated financial institutions with assets of at least \$100 billion. The advanced approaches rules introduce the 1.25 multiplier to capture the correlation of financial institutions' common risk factors. The formula for these wholesale exposures is described in section 131 of the revised regulatory capital rules.

#### Schedules H, I, and J: Internal models methodology (IMM) margin period of risk and specific wrong-way risk

The proposed insertion of memorandum 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) reflects the new capital requirements for the margin period of risk and wrong-way risk in the advanced approaches. The revised advanced approaches rules introduce an increased margin period of risk of 20 days. In addition, for OTC derivative transactions, repo-style transactions, and margin loans that exhibit wrong-way risk, the advanced approaches rules require a banking organization to apply an increased capital requirement rather than the IMM to these exposures. 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.

#### Schedules B and R: Summary table and equity exposures

The proposed revisions to Schedule B (Summary Risk-weighted Assets Information for Banks) reflect the proposed changes to the schedules described above in this section. In addition, the revised advanced approaches rules remove the prior money market fund approach for equity exposures. Accordingly, in proposed revised Schedule R (Equity Exposures), the agencies propose to remove this approach.

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

The FFIEC 101 is collected quarterly as of the end of the last calendar day of March, June, September, and December. Reporting BHCs and banks submit data quarterly because efforts to monitor banks' progress toward, and actions under, the framework require regular and consistent data submissions from all of the institutions adopting this framework. The first

reporting period for Schedules A through S for each reporting entity seeking to qualify for the advanced approaches corresponds to the first quarter of its parallel run period.

The report due dates are 60 days following the end of a quarter while a state member bank or BHC is in its parallel run period. After completing its parallel run period, the report due dates are the same as the report due dates currently required of banks and BHCs when filing their respective Call Report or FR Y-9C. State member banks must submit the FFIEC 101 to the appropriate Federal Reserve Bank within thirty calendar days following the as-of date; a five-day extension may be given to banks with more than one foreign office. BHCs must submit the FFIEC 101 to the appropriate Federal Reserve Bank within forty calendar days after the March 31, June 30, and September 30 as of dates unless that day falls on a weekend or holiday and within forty-five calendar days after the December 31 as of date.

Individual respondent data, excluding confidential information, would be available on the National Information Center public website.

### **Sensitive Questions**

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

### **Consultation Outside the Agency and Discussion 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 Call Report, which were taken into consideration in finalizing this proposal. No comments specifically addressed the burden estimates.

First, 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.<sup>6</sup> 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

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<sup>6</sup> 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.

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 same 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 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.

#### A. 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 Call Report Schedule RC-R, Part I.B, 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. 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.<sup>7</sup>

*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. A 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

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<sup>7</sup> 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.

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.”

#### CVAs and Weighted Average Maturity Calculation in Schedules B, H, and J

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.

#### Holding Period or Margin Period of Risk in Schedules H, I, and J

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 (CCPs), consistent with section 133 of the revised regulatory capital rules. 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”;
- 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.,  $\geq$  \$1 million and  $<$  \$10 million).”

On January 14, 2014, the agencies published a final notice in the *Federal Register* (79 FR 2527). The agencies received one comment letter from a banking organization addressing 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 *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. 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 *Federal Register* notice.

## Legal Status

The Board's Legal Division has determined that 12 U.S.C. § 324 and 12 U.S.C. § 1844(c) authorize the Board to require the information collection. All data collected from each reporting entity on Schedules A through S, including those data items identified as public data items above, would remain confidential during the entity's parallel run period under the Freedom of Information Act (FOIA) exemption 4 (5 U.S.C. § 552(b)(4)). The release of this data could cause substantial competitive harm to respondents. Subsequent to the entity's parallel run period, Schedules A and B and data items 1 and 2 of Schedule S, would be available to the public and Schedules C through R and data items 3 through 24 on Schedule S would be shared among the four agencies but would not be released to the public. The release of the data on the latter schedules could cause substantial competitive harm to respondents and thus would be covered by exemption 4 of FOIA.

If an institution can justify any other information to be trade secrets and/or privileged, such information could be withheld from the public under the authority of the exemption 4 of FOIA. Additionally, to the extent that such information may be contained in an examination report such information maybe also be withheld from the public, 5 U.S.C. § 552 (b)(8).

## Estimate of Respondent Burden

The current total annual burden for the FFIEC 101 is estimated to be 52,500 hours and would increase to 54,000 hours, as shown in the table below. The estimated response time for FFIEC 101 filers would increase from 625 hours to 675 hours due to the proposed changes. This reporting burden represents less than 1 percent of the total Federal Reserve System paperwork burden.

|                         | <i>Number<br/>of<br/>respondents<sup>8</sup></i> | <i>Estimated<br/>annual<br/>frequency</i> | <i>Estimated<br/>response<br/>time</i> | <i>Estimated<br/>annual<br/>burden<br/>hours</i> |
|-------------------------|--|---|--|--|
| <i>FFIEC 101 Filers</i> |  |   |  |  |
| Current                 | 21   | 4   | 625 hours                              | 52,500   |
| Proposed                | 20   | 4   | 675 hours                              | 54,000   |
| <i>Change</i>           |  |   |  | 1,500  |

<sup>8</sup> Of the 21 respondents required to comply with this information collection, no respondents are considered a small entity as defined by the Small Business Administration (i.e., entities with \$500 million or less in total assets). [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards).



The estimated cost to the public for this information collection was \$2,619,750 and is estimated to increase to \$2,694,600 with the proposed changes.<sup>9</sup>

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

The ongoing costs for collecting and processing the data are estimated to be \$157,694 per year.

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<sup>9</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 at \$18, 45% Financial Managers at \$59, 15% Lawyers at \$63, and 10% Chief Executives at \$85). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, [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/)