

**Supporting Statement for
OMB Control No. 1557-NEW
Subordinated Debt**

Request for Emergency Approval

The OCC is requesting emergency approval for this collection of information. The collection is based on OCC regulations implementing Basel III,¹ which was adopted by the OCC to address shortfalls in the capital rules applicable to national banks and Federal savings associations made apparent by the financial crisis.

A key element of Basel III is stricter requirements for all regulatory capital instruments, including subordinated debt instruments. Subordinated debt is an important capital instrument issued by banks, and the amendments in this interim final rule include revisions to the OCC's regulations governing subordinated debt make conforming, technical and clarifying amendments to the OCC's rules. The OCC is concerned that, absent the amendments made in this interim final rule, subordinated debt issued by national banks or federal savings associations would not have the strong safeguards crafted by OCC rules implementing Basel III. Therefore, OCC is issuing an interim final rule, which would bring its subordinated debt regulations in conformity with Basel III, which became effective for certain large banks on January 1, 2014. It is imperative that this interim final rule become effective as soon as possible, as Basel III is already in effect for those banks.

1. Circumstances that make the collection necessary:

The issuance of subordinated debt is included in the Comptroller's Licensing Manual ("Manual"), which embodies all required procedures, sample forms, and regulations regarding OCC corporate approvals. The Manual is needed to standardize OCC processing of corporate filings, to ensure consistency in the recordkeeping and decision making processes, and to provide information regarding the criteria generally considered by the OCC in reviewing a corporate filing.

Federal law and OCC regulations require that a national bank or federal savings association receive OCC approval to change equity capital, issue or prepay subordinated debt, and pay dividends, under certain circumstances. The various applications are the primary documents necessary for the OCC to decide whether to grant approval for a bank's request to change permanent capital or issue or prepay subordinated debt.

2. Use of the information:

Bankers and other interested parties use the Manual to determine where and how to file an application and to identify the regulatory requirements. Bankers, other interested persons, and OCC personnel use the Manual to further their understanding of the applicable filing

1 ¹ See 78 Fed. Reg. 62018 (October 11, 2013).

processes and time frames for corporate activities. The Manual is the primary procedural guide for OCC personnel.

The OCC uses the request for approval to issue or prepay subordinated debt in 12 C.F.R. §§ 5.47 and 163.81 to determine whether to grant or deny a bank's or savings association's request. The information collected is used to ensure compliance with legal and regulatory requirements. In the case of a prepayment in the form of a call option, the OCC uses the additional information collected to implement a requirement in the OCC's Basel III regulations, as described below.

Through the interim final rule, the OCC is revising the requirements of § 5.47. Specifically, all national banks must receive prior OCC approval in order to prepay subordinated debt that is included in tier 2 capital, and certain banks must receive prior approval to prepay subordinated debt that is not included in tier 2 capital. If the prepayment is a result of exercising a call option, in addition to the general information required to be submitted under paragraph (n)(1)(ii)(A), paragraph (n)(1)(ii)(B) requires a national bank to submit either: (1) a statement explaining why the bank believes that following the proposed prepayment the bank would continue to hold an amount of capital commensurate with its risk; or (2) a description of the replacement capital instrument that meets the criteria for tier 1 or tier 2 capital under 12 CFR 3.20, including the amount of such instrument and the time frame for issuance. The OCC may require the bank to replace the subordinated debt instrument with an instrument of an equivalent amount that satisfies the requirements for a tier 1 or tier 2 capital instrument.

Also through the interim final rule, the OCC is revising the requirements of § 163.81. Specifically, prepayment of subordinated debt securities or mandatorily redeemable preferred stock ("covered securities") included in tier 2 capital requires prior OCC approval. If the prepayment is in the form of a call option, in addition to the general requirements, paragraph (j)(2)(ii)(A) requires a federal savings association to submit either: (1) a statement explaining why the bank believes that following the proposed prepayment the savings association would continue to hold an amount of capital commensurate with its risk; or (2) a description of the replacement capital instrument that meets the criteria for tier 1 or tier 2 capital under 12 CFR 3.20, including the amount of such instrument and the time frame for issuance. The OCC may require the savings association to replace the subordinated debt instrument with an instrument of an equivalent amount that satisfies the requirements for a tier 1 or tier 2 capital instrument.

4. Efforts to identify duplication:

Each submission is unique to the individual bank and situation.

5. Minimizing burden on small entities:

Only the information necessary for the OCC to fulfill its statutory responsibilities for any bank, regardless of size, is requested.

6. Consequences of less frequent collection:

The information is collected infrequently—only as the situation arises. Statutory or regulatory requirements govern these information collections. Less frequent collection is inconsistent with the underlying statutes and would not promote a safe and sound banking system.

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

The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. Consultation with persons outside the agency:

The OCC will be issuing an interim final rule in the *Federal Register* seeking comment on the collection.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

The information is kept confidential to the extent permitted by law.

11. Information of a sensitive nature:

Not applicable. No personally identifiable information is collected.

12. Burden estimate:

Information Collection	No. of Respondents	No. of Responses	Hours per Response	Estimated Total Burden
Capital & Dividends; Subordinated Debt	184	184	1.30	239

The cost of the hour burden is as follows:

Information Collection	Wage Category	Total Burden Hours	Burden Hours by Wage Category	Wage Rate	Total Cost of Hour Burden
Capital & Dividends; Subordinated Debt	30% clerical	239	71.7	\$20	\$1,422
	30% middle mgmt		71.7	\$40	\$2,868
	20% sr mgmt		47.8	\$80	\$3,824
	20% counsel		47.8	\$100	\$4,780

13. Estimate of annualized costs to respondents:

Not applicable.

14. Estimate of annualized costs to the government:

Not applicable.

15. Changes in burden:

The increase in burden is due to the fact that this is a new collection.

16. Information regarding collections whose results are planned to be published for statistical use:

Not applicable.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS:

Not applicable.