

**Supporting Statement for the  
Consolidated Financial Statements for Holding Companies (FR Y-9C)  
and  
the Parent Company Only Financial Statements for Small Holding Companies  
(FR Y-9SP) (OMB No. 7100-0128)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the mandatory Consolidated Financial Statements for Holding Companies (FR Y-9C) and the mandatory Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP) (OMB No. 7100-0128) for implementation in 2014 and 2015.<sup>1</sup> This family of reports also contains the following mandatory reports, which are not being revised at this time:

1. the Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP),
2. the Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and
3. the Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

Pursuant to the Bank Holding Company Act of 1956 and the Home Owners' Loan Act (HOLA), as amended, the Federal Reserve requires bank holding companies, savings and loan holding companies (SLHCs), and securities holding companies (collectively "holding companies" (HCs)) to provide standardized financial statements to fulfill the Federal Reserve's statutory obligation to supervise these organizations. HCs file the FR Y-9C and FR Y-9LP quarterly, the FR Y-9SP semiannually, the FR Y-9ES annually, and the FR Y-9CS on a schedule that is determined when the supplement is used.

The Federal Reserve proposes to make revisions to revise the FR Y-9C and FR Y-9SP consistent with the regulatory capital rules approved by the Board of Governors on July 2, 2013 (revised regulatory capital rules).<sup>2</sup> Specifically, the Federal Reserve proposes to split the current Schedule HC-R, Regulatory Capital, on the FR Y-9C into two parts: Part I, which would collect information on regulatory capital components and ratios, and Part II, which would collect information on risk-weighted assets. For report dates in 2014, Part I of proposed Schedule HC-R would be designated as Parts I.A and I.B. Part I.A would include data items 1 through 33 of

---

<sup>1</sup> The Federal Reserve will develop a separate proposal to revise these regulatory reports to reflect the changes to the calculation of the risk-weighted assets that would become effective in 2015.

<sup>2</sup> On July 2, 2013, the Board of Governors approved the revised regulatory capital rules that were proposed on August 30, 2012. On July 9, 2013 the Office of the Comptroller of the Currency (OCC) approved the revised regulatory capital rules and the Federal Deposit Insurance Corporation (FDIC) issued an interim final rule to approve the revised regulatory capital rules. See <http://www.federalreserve.gov/bcreg20130702a.pdf> (Federal Reserve); <http://www.occ.gov/news-issuances/news-releases/2013/2013-110a.pdf> (OCC); [http://www.fdic.gov/news/board/2013/2013-07-09\\_notice\\_dis\\_a\\_res.pdf](http://www.fdic.gov/news/board/2013/2013-07-09_notice_dis_a_res.pdf) (FDIC). See also 77 Federal Register 52888, 52909, 52958 (August 30, 2012).

current Schedule HC-R. Part I.B would include the revisions consistent with the revised regulatory capital rules. Part II would include data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R. In March 2015, Part I.A would be removed and Part I.B would be re-designated as Part I.

For the March 31, 2014, and March 31, 2015, report dates, as applicable, institutions may provide reasonable estimates for any new or revised FR Y-9C data items initially required to be reported as of the dates for which the requested information is not readily available. The specific wording of the captions for the revised FR Y-9C data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

On the FR Y-9SP, the Federal Reserve proposes to add a new Schedule SC-R, Regulatory Capital Components and Ratios, to collect consolidated regulatory capital data from small SLHCs subject to the revised regulatory capital rules. Schedule HC-R, Part I.B, of the FR Y-9C and Schedule SC-R of the FR Y-9SP would collect the same data items, except proposed Schedule HC-R, Part I.B, would collect additional data from HCs subject to the advanced approaches (AA) risk-based capital rules (advanced approaches HCs).<sup>3</sup>

HCs subject to the revised regulatory capital rules would be required to calculate and report regulatory capital using a new definition of capital. For the June 30, 2015, report date, institutions may provide reasonable estimates for any new or revised FR Y-9SP data items initially required to be reported as of that date for which the requested information is not readily available. The specific wording of the captions for the revised FR Y-9SP data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

A copy of selected pages of the proposed reporting forms and instructions, marked to show the insertion of the proposed forms and instructions, is provided in the attachment. The total current annual paperwork burden for the FR Y-9 family of reports is estimated to be 281,768 hours and is estimated to increase by 168,608 hours for a proposed annual paperwork burden of 450,376 hours.

---

<sup>3</sup> An advanced approaches banking organization as defined in the revised regulatory capital rules (i) has consolidated total assets 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; (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Federal Reserve), or 12 CFR part 325 (FDIC) 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 approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.

## **Background and Justification**

The FR Y-9C, FR Y-9LP, and FR Y-9SP are standardized financial statements for the consolidated HC (FR Y-9C) and its parent (FR Y-9LP) and for parent holding companies that do not file the FR Y-9C (FR Y-9SP). The FR Y-9ES is a financial statement for HCs that are Employee Stock Ownership Plans (ESOPs). The Federal Reserve also has the authority to use the FR Y-9CS, a free form supplement, to collect any additional information deemed to be critical and needed in an expedited manner. The FR Y-9 family of reports historically has been, and continues to be, the primary source of financial data on HCs between on-site inspections. Financial data from these reports is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate HC mergers and acquisitions, and to analyze a HC's overall financial condition to ensure safe and sound operations.

## **Description of Information Collection**

### **Current Reports**

The FR Y-9C consists of standardized financial statements similar to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) Call Report filed by commercial banks and savings associations. The FR Y-9C is filed by top-tier HCs<sup>4</sup> with total consolidated assets of \$500 million or more.<sup>5</sup>

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each HC that files the FR Y-9C. In addition, for tiered HCs, a separate FR Y-9LP must be filed for each lower tier HC.<sup>6</sup>

The FR Y-9SP is a parent company only financial statement filed by smaller HCs. Respondents include HCs with total consolidated assets of less than \$500 million. This form is a simplified or abbreviated version of the FR Y-9LP. This report is designed to obtain basic balance sheet and income data for the parent company, data on intangible assets, and data on intercompany transactions.

The FR Y-9ES collects financial data from ESOPs that are also HCs on their benefit plan activities. It consists of four schedules: Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The FR Y-9CS is a supplemental report that may be utilized to collect additional data deemed to be critical and needed in an expedited manner from HCs. The data are used to assess and monitor emerging issues related to HCs. It is intended to supplement the FR Y-9 reports,

---

<sup>4</sup> Under certain circumstances, a lower-tier HC may act as the top tier of the organization for purposes of regulatory reporting.

<sup>5</sup> Under certain circumstances described in the General Instructions, HCs with assets under \$500 million may be required to file the FR Y-9C.

<sup>6</sup> An exception to this is where the lower-tier HC acts as the top-tier for purposes of regulatory reporting.

which are used to monitor HCs between on-site inspections. The data items included on the supplement may change as needed.

### **Proposed FR Y-9C Revisions**

The Federal Reserve proposes changes to the FR Y-9C reporting requirements consistent with the revised regulatory capital rules. The current Schedule HC-R, Regulatory Capital, collects information on regulatory capital components and ratios, as well as risk-weighted assets. The Federal Reserve proposes to split the current Schedule HC-R into Part I, which would collect information on regulatory capital components and ratios, and Part II, which would collect information on risk-weighted assets. For report dates in 2014, Part I of proposed Schedule HC-R would be designated as Parts I.A and I.B. Part I.A would include data items 1 through 33 of current Schedule HC-R. Part I.B would include the revisions consistent with the revised regulatory capital rules. Part II would include data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R. Starting in March 2015, Part I.A would be removed and Part I.B would be re-designated as Part I and data items 34-62 would be renumbered.

In Schedule HC-R, Part I.A (data items 1-33), an institution reports tier 1 capital, tier 2 capital, total regulatory capital, and its regulatory capital ratios (regulatory capital components and ratios portion).

In Schedule HC-R, Part II (data items 34-62), an institution reports its risk-weighted assets (risk-weighted assets portion). Schedule HC-R, Part II also includes Memoranda items 1 through 10, in which an institution reports supplemental regulatory capital information.<sup>7</sup>

The Federal Reserve proposes to add Part I.B to Schedule HC-R to provide a more detailed breakdown of the regulatory capital elements, including deductions and adjustments, consistent with the revised regulatory capital rules. HCs subject to the revised regulatory capital rules would be required to calculate and report regulatory capital using a new definition of capital. Proposed Schedule HC-R, Part I.B is discussed in more detail below.

**Bank Holding Companies (BHCs):** Advanced approaches BHCs would begin reporting on proposed Schedule HC-R, Part I.B, starting on March 31, 2014, applying the revised regulatory capital rules. At that time, these respondents would no longer be required to complete Schedule HC-R, Part I.A. On March 31, 2015, FR Y-9C respondents that are not subject to the advanced approaches rule would no longer report Schedule HC-R, Part I.A and would begin reporting the data items on proposed Schedule HC-R, Part I.B (re-designated as Part I), applying the revised regulatory capital rules.

---

<sup>7</sup> The Federal Reserve expects to publish at a later date a request for comment on a separate proposal to revise the risk-weighted assets portion of Schedule HC-R to incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The revisions to the risk-weighted assets portion of Schedule HC-R would take effect March 31, 2015. The Federal Reserve is proposing changes to Schedule HC-R in two stages to allow interested parties to better understand the proposed revisions and focus their comments on areas of particular interest. Therefore, for report dates in 2014, all FR Y-9C filers would continue to report risk-weighted assets in the portion of Schedule HC-R that contains existing data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R, but this portion of the schedule would be designated Part II and the data items would be renumbered beginning with item 1.

**SLHCs:** Prior to the approval of the revised regulatory capital rules, SLHCs were not subject to consolidated regulatory capital requirements and not required to file Schedule HC-R. Under the revised regulatory capital rules, top-tier SLHCs that are not substantially engaged in insurance or commercial activities (covered SLHCs) are subject to consolidated regulatory capital requirements effective January 1, 2015. Covered SLHCs would begin reporting on the proposed Schedule HC-R, Part I.B, starting on March 31, 2015.

A top-tier SLHC is deemed to be substantially engaged in insurance activities (insurance SLHC) if (i) the top-tier SLHC is an insurance underwriting company;<sup>8</sup> or (ii) as of June 30 of the previous calendar year, it held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk). For purposes of determining the 25 percent threshold, the SLHC must calculate its total consolidated assets in accordance with generally accepted accounting principles (GAAP), or if the SLHC does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the SLHC may estimate its total consolidated assets, subject to review and adjustment by the Federal Reserve. Thus, insurance SLHCs are not required to complete Schedule HC-R, even if they complete other schedules of FR Y-9C.<sup>9</sup>

A top-tier SLHC is deemed to be substantially engaged in commercial activities (commercial SLHC) if (i) the top-tier SLHC is a grandfathered unitary SLHC as defined in section 10(c)(9)(A) of HOLA and (ii) as of June 30 of the previous calendar year, it derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k)). This exclusion from the revised regulatory capital rules is similar to the current regulatory reporting exemption for SLHCs substantially engaged in commercial activities and is designed to capture those SLHCs that would likely be subject to a future intermediate HCs regulation of the Federal Reserve.

---

<sup>8</sup> Insurance underwriting company means an insurance company as defined in section 201 of the Dodd-Frank Act (12 U.S.C. 5381) that engages in insurance underwriting activities.

<sup>9</sup> Under the current reporting requirements, SLHCs are exempt from filing the FR Y-9C if: (1) as calculated annually as of June 30th, using the assets reported as of June 30th, more than 50 percent of the assets of the SLHC are derived from the business of insurance on an enterprise-wide basis; and (2) the SLHC does not submit reports to the Securities and Exchange Commission (SEC) pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Regulatory capital requirements for SLHCs substantially engaged in insurance or commercial activities will be finalized at a later date.

## Proposed FR Y-9SP Revisions

The Federal Reserve proposes changes to the FR Y-9SP reporting requirements consistent with the revised regulatory capital rules, which apply to covered SLHCs with total consolidated assets of less than \$500 million (small covered SLHCs). Under current regulatory reporting requirements, small SLHCs submit the FR Y-9SP semiannually. The Federal Reserve proposes to revise the FR Y-9SP by implementing new Schedule SC-R, Regulatory Capital Components and Ratios, to collect consolidated regulatory capital data from small covered SLHCs. Schedule SC-R would collect regulatory capital data from small covered SLHCs and therefore, eliminate the need for these institutions to file a consolidated FR Y-9C report. Small covered SLHCs would apply the revised regulatory capital rules to report their regulatory capital data on proposed Schedule SC-R starting on June 30, 2015. Small BHCs that file FR Y-9SP would not be affected by this proposal and they would not be required to complete proposed Schedule SC-R.

The following table summarizes the proposed reporting criteria for FR Y-9C and FR Y-9SP respondents.

<b>FR Y-9C respondents</b>		
<b>Respondents</b>	<b>2014</b>	<b>2015</b>
Non-advanced approaches BHCs	<ul style="list-style-type: none"> <li>• Complete the current Schedule HC-R, Part I.A and Part II;</li> <li>• Do not complete proposed Schedule HC-R, Part I.B</li> </ul>	<ul style="list-style-type: none"> <li>• Current Schedule HC-R, Part I.A is removed and Part I.B is re-designated as Part I;</li> <li>• Complete the proposed Schedule HC-R, Part I.B (re-designated as Part I in 2015) and Part II;</li> <li>• Schedule HC-R Part II includes the revised and renumbered risk-weighted assets portion of the template</li> </ul>
Advanced approaches BHCs	<ul style="list-style-type: none"> <li>• Do not complete Schedule HC-R , Part I.A (items 1 through 33);</li> <li>• Complete current Schedule HC-R, Part II</li> <li>• Complete proposed Schedule HC-R, Part I.B (items 1 through 48)</li> </ul>	
Covered SLHCs other than small covered SLHCs	Do not complete Schedule HC-R	
<b>FR Y-9SP respondents</b>		
<b>Respondents</b>	<b>2014</b>	<b>2015</b>
Small BHCs	No change	No change
Small covered SLHCs	Do not complete proposed Schedule SC-R	Complete proposed Schedule SC- R

### ***Discussion of Proposed Schedules HC-R and SC-R***

This section describes the proposed revisions to FR Y-9C Schedule HC-R, Part I.B (to be re-designated as Part I in 2015) and FR Y-9SP Schedule SC-R (collectively, the proposed schedules) to revise the data collections consistent with the revised regulatory capital rules. The

proposed schedules would contain the same data items, except the proposed Schedule HC-R, Part I.B would collect additional data from advanced approaches HCs. As specified in the revised regulatory capital rules and the corresponding instructions for proposed Schedule HC-R, Part I.B, advanced approaches HCs that file the FR Y-9C would report certain line items only after these institutions complete the parallel run process and receive notification from the Federal Reserve pursuant to section 121(d) of subpart E of the revised regulatory capital rules.

The regulatory capital portion of the proposed schedules would collect data on the following regulatory capital components and ratios: (A) common equity tier 1 capital; (B) common equity tier 1 capital adjustments and deductions; (C) additional tier 1 capital; (D) tier 2 capital; (E) total assets for the leverage ratio; (F) capital ratios; and (G) capital buffer. A brief description of each of these sections and the corresponding data items is provided below. The proposed reporting instructions provide guidance on how to calculate and report items subject to the transition provisions under section 300 of the revised regulatory capital rules.

#### **A. Proposed Schedules HC-R, Part I.B and SC-R items 1 through 5: Common equity tier 1 capital**

Proposed line items 1 through 5 would collect information to determine the new regulatory capital component, common equity tier 1 capital. The proposed data items align with the elements of common equity tier 1 capital under the revised definition of capital, including (item 1) common stock plus related surplus (net of treasury stock and unearned employee stock ownership plan shares), (item 2) retained earnings, (item 3) accumulated other comprehensive income (AOCI), and (item 4) common equity tier 1 minority interest includable in common equity tier 1 capital.<sup>10</sup> As explained in section 21 of the revised regulatory capital rules, an institution may include a limited amount of common equity tier 1 minority interest of a consolidated subsidiary that is a depository institution or a foreign bank in its common equity tier 1 capital. Line item 5 collects the sum of items 1 through 4 to determine common equity tier 1 capital before adjustments and deductions.

For purposes of reporting line item 3, AOCI, an institution that is not subject to the advanced approaches rule may make a one-time election to opt-out of the requirement to include most of the components of AOCI in common equity tier 1 capital (AOCI opt-out election). An institution that makes an AOCI opt-out election must report “Yes” in line item 3(a) and report the amounts in line items 9(a), 9(b), 9(c), 9(d) and 9(e). An institution that is not an advanced approaches institution would make this election when it completes Schedule HC-R for March 31, 2015, or Schedule SC-R for June 30, 2015, as applicable. If an institution makes an AOCI opt-out election, the transition provisions for AOCI under section 300 of the revised regulatory capital rules would not apply to the reporting of AOCI in line item 3.

All advanced approaches institutions and all other HCs that choose not to make the AOCI opt-out election must report “No” in line item 3(a) and complete line item 9(f). In addition, such

---

<sup>10</sup> Under current GAAP, minority interests are referred to as noncontrolling interests. In this regard, on the FR Y-9C balance sheet (Schedule HC), such interests are labeled “Noncontrolling (minority) interests in consolidated subsidiaries.”

institutions must report AOCI in item 3 subject to the transition provisions, as described in section 300 of the revised regulatory capital rules and the corresponding instructions.

**B. Proposed Schedules HC-R, Part I.B and SC-R items 6 through 19: Common equity tier 1 capital: adjustments and deductions**

Proposed line items 6 through 18 reflect adjustments and deductions to common equity tier 1 capital, as described in section 22 of the revised regulatory capital rules. Institutions must refer to the revised regulatory capital rules to determine under which conditions deferred tax liabilities (DTLs) may be netted against assets subject to deduction. An institution would calculate and report the following adjustments and deductions, as described below, which would be summed in line item 18 and deducted from common equity tier 1 capital in line item 19.

Schedules HC-R, Part I.B and SC-R item 6: LESS: Goodwill net of associated deferred tax liabilities (DTLs): Goodwill net of associated DTLs is reported and deducted from common equity tier 1 capital.

Schedules HC-R, Part I.B and SC-R item 7: LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs: Intangible assets, other than goodwill and MSAs, net of associated DTLs, must be deducted from common equity tier 1 capital.

Schedules HC-R, Part I.B and SC-R item 8: LESS: Deferred tax assets (DTAs) that arise from operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs: An institution must deduct DTAs that arise from operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, from common equity tier 1 elements.<sup>11</sup>

Schedules HC-R, Part I.B and SC-R item 9: AOCI-related adjustments: An institution that makes an AOCI opt-out election by reporting “1” for Yes in line item 3(a), would adjust its common equity tier 1 capital by reporting the amount of specified AOCI components in line items 9(a), 9(b), 9(c), 9(d) and 9(e), that is, net unrealized gains (losses) on available-for-sale (AFS) securities; net unrealized loss on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures; accumulated net gains (losses) on cash flow hedges; amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans; and net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

An institution that does not make an AOCI opt-out election by reporting “0” for No and advanced approaches respondents would report in line item 9(f), any accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items not recognized at fair value on the balance sheet.

---

<sup>11</sup> DTAs arising from temporary differences that the banking organization could realize through net operating loss carrybacks are not subject to deduction and instead receive a 100 percent risk weight.



Schedules HC-R, Part I.B and SC-R item 10: Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: Under the revised regulatory capital rules, institutions must make the following deductions from or additions to common equity tier 1 capital:

Schedules HC-R, Part I.B and SC-R item 10(a): LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk: An institution would report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in its own credit risk. Advanced approaches HCs would include the credit spread premium over the risk free rate for derivatives that are liabilities.

Schedules HC-R, Part I.B and SC-R item 10(b): LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: An institution would report in line item 10.b the total of the following deductions and additions:

(1) *Gain-on-sale associated with a securitization exposure:* An institution must deduct from common equity tier 1 capital any after-tax gain-on-sale associated with a securitization exposure. Gain-on-sale means an increase in the equity capital of the institution resulting from the consummation or issuance of a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization).

(2) *Defined benefit pension fund assets net of associated DTLs:* Defined benefit pension fund assets, net of any associated DTLs, must be deducted from common equity tier 1 capital. (This discussion does not pertain to defined benefit pension fund net assets owned by depository institutions.)

(3) *Investments in own regulatory capital instruments:* To avoid the double-counting of regulatory capital, an institution must deduct any investments in its own common equity tier 1, own additional tier 1, and own tier 2 capital instruments from its common equity tier 1, additional tier 1, and tier 2 capital elements, respectively. Any common equity tier 1, additional tier 1, or tier 2 capital instrument issued by the institution which the institution could be contractually obligated to purchase must be deducted from its common equity tier 1, additional tier 1, or tier 2 capital, respectively. If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital, it does not need to make this deduction twice.

(4) *Reciprocal cross holdings in the capital instruments of financial institutions:* A reciprocal cross holding results from a formal or informal arrangement between two financial institutions to swap, exchange, or otherwise intend to hold each other's capital instruments. Institutions must deduct reciprocal holdings of capital instruments of other financial institutions in certain circumstances. The deduction is made by using the corresponding deduction approach as described in section 22(c) of the revised regulatory capital rules. The corresponding deduction approach requires the institution to make the deduction from the tier of capital for which the instrument would qualify. However, if the institution does not have a sufficient amount of the tier of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital. For example, if an

institution is required to deduct a certain amount of regulatory capital from additional tier 1 capital and it does not have sufficient additional tier 1 capital to effectuate the deduction, then the amount of the deduction in excess of the available additional tier 1 capital must be made from common equity tier 1 capital.

(5) *Equity investments in financial subsidiaries:* An institution must deduct the aggregate amount of its outstanding equity investment, including retained earnings, in its financial subsidiaries and may not consolidate the assets and liabilities of a financial subsidiary with those of the parent institution.

(6) *Advanced approaches HCs:* After an advanced approaches HC completes its parallel run process, it would include expected credit losses that exceed its eligible credit reserves in this line item.

Schedules HC-R, Part I.B and SC-R item 11: LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments: Non-significant investments in the capital of unconsolidated financial institutions are investments where an institution owns 10 percent or less of the issued and outstanding common shares of an unconsolidated financial institution. An institution must deduct the amount of the non-significant investments that are above the 10 percent threshold for non-significant investments (calculated as described in section 22(c)(4) of the revised regulatory capital rules and in the reporting instructions for this line item), applying the corresponding deduction approach.

Schedules HC-R, Part I.B and SC-R item 12: Subtotal: An institution would report the amount in item 5 less the amounts in items 6 through 11. The amount reported in this item is used to calculate the common equity tier 1 capital deduction thresholds that are used for reporting items 13, 14, 15, and 16.

Schedules HC-R, Part I.B and SC-R items 13 through 16: Items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions: An institution must report the amount of each of the following items that individually exceed the 10 percent common equity tier 1 capital deduction threshold (that is, 10 percent of the amount reported in line item 12). These items are referred to as items subject to the threshold deductions in section 22(d) of the revised regulatory capital rules and include: (1) significant investments in the capital of financial institutions in the form of common stock, net of associated DTLs; (2) MSAs, net of associated DTLs; and (3) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of DTLs.

The aggregate amount of the items subject to the threshold deductions (that are not deducted in line items 13, 14, and 15) is not permitted to exceed 15 percent of an institution's common equity tier 1 capital. The aggregate amount in excess of the 15 percent threshold, if any, calculated in accordance with section 22(d)(2) of the revised regulatory capital rules and the corresponding line item instructions, must be deducted in line item 16.

Schedules HC-R , Part I.B and SC-R item 17: LESS: Deductions applied to common equity tier 1 capital due to insufficient amount of additional tier 1 capital and tier 2 capital to cover deductions: If an institution does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover deductions, then the shortfall must be reported in this line item.

Schedules HC-R , Part I.B and SC-R items 18 and 19: An institution would summarize total adjustments and deductions in line item 18 and deduct that amount from its common equity tier 1 capital before adjustments and deductions to determine its common equity tier 1 capital, which would be reported in line item 19

**C. Proposed Schedules HC-R, Part I.B and SC-R items 20 through 25: Additional tier 1 capital, and item 26, Tier 1 capital**

Proposed Schedules HC-R, Part I.B and SC-R line items 20 through 25 would require reporting of additional tier 1 capital elements. As defined in the revised regulatory capital rules, additional tier 1 capital is the sum of: (item 20) additional tier 1 capital instruments that satisfy the eligibility criteria described in section 20 of the revised regulatory capital rules, plus related surplus, (item 21) non-qualifying capital instruments subject to phase out from additional tier 1 capital, and (item 22) tier 1 minority interest that is not included in an institution's common equity tier 1 capital, less (item 24) applicable deductions.

Line item 26 collects data on the institution's tier 1 capital, calculated as the sum of (item 19) common equity tier 1 capital and (item 25) additional tier 1 capital.

**D. Proposed Schedules HC-R, Part I.B and SC-R items 27 through 34: Tier 2 capital, and item 35: Total capital**

Proposed Schedules HC-R, Part I.B and SC-R line items 27 through 34 would require reporting of tier 2 capital elements. As defined in the revised regulatory capital rules, tier 2 capital is the sum of: (item 27) tier 2 capital instruments that satisfy the eligibility criteria described in section 20 of the revised regulatory capital rules, plus related surplus; (item 28) non-qualifying capital instruments subject to phase out from tier 2 capital; (item 29) total capital minority interest not included in an institution's tier 1 capital; (HC-R item 30(a), SC-R item 30) allowance for loan and lease losses (ALLL) includable in tier 2 capital or, for advanced approaches HCs, (HC-R item 30(b)) eligible credit reserves includable in tier 2 capital; and (item 31) unrealized gains on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures includable in tier 2 capital, less (item 33) tier 2 capital deductions.

As noted above, advanced approaches HCs would report line items 30(b) (eligible credit reserves includable in tier 2 capital); 32(b) (tier 2 capital before deductions); 34(b) (tier 2 capital); and 35(b) (total capital) on the proposed Schedule HC-R only after these institutions conduct a satisfactory parallel run.

Line item 35(a) would collect data information on an institution's total capital, which is the sum of (item 26) tier 1 capital and (item 34) tier 2 capital.

### **E. Proposed Schedules HC-R, Part I.B and SC-R items 36 through 39: Total assets for the leverage ratio**

Institutions would report total assets for the leverage ratio denominator in line item 39, calculated as: (item 36) average total consolidated assets, less (item 37) deductions from common equity tier 1 capital and additional tier 1 capital, and less (item 38) other deductions from (additions to) assets for leverage ratio purposes, as described under sections 22(a), (c), and (d) of the revised regulatory capital rules.

### **F. Proposed Schedules HC-R, Part I.B and SC-R items 40 through 45: Total risk-weighted assets and capital ratios**

Proposed Schedules HC-R, Part I.B and SC-R line item 40 would collect data on an institution's risk-weighted assets. Proposed Schedules HC-R, Part I.B and SC-R line items 41 through 45 would collect data on the following regulatory capital ratios: (item 41) common equity tier 1 ratio; (item 42) tier 1 capital ratio; (item 43) total capital ratio; (item 44) tier 1 leverage ratio; and, for advanced approaches HCs, (item 45), supplementary leverage ratio, all calculated as described in section 10 of the revised regulatory capital rules. Item 45 would not apply to Schedule SC-R.<sup>12</sup>

Advanced approaches HCs would report line items 40 through 43 on the proposed Schedule HC-R, Part I.B as follows.

- During the reporting periods in 2014, these institutions would continue applying Appendix A of the general risk-based capital rules<sup>13</sup> to report their total risk-weighted assets in line item 40(a), which would serve as the denominator of the ratios reported in line items 41 through 43 (Column A).
- Starting on March 31, 2015, these institutions would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in line item 40(a) and the regulatory capital ratios in line items 41 through 43. As discussed, these institutions would report their total risk-weighted assets (item 40(b)) and regulatory capital ratios (items 41 through 43, Column B) using the advanced approaches rule after they conduct a satisfactory parallel run.
- In addition, starting on March 31, 2015, these institutions would report a supplementary leverage ratio in item 45, as described in section 10 of the revised regulatory capital rules.

### **G. Proposed Schedules HC-R, Part I.B and SC-R items 46 through 48: Capital buffer**

---

<sup>12</sup> During the reporting periods in 2014, FR Y-9C filers would continue applying the general risk-based capital rules to report their total risk-weighted assets in line item 40.a of Part I of Schedule HC-R (as currently reported in item 62 of the risk-weighted assets portion of Schedule HC-R). The amount in line item 40 would serve as the denominator of the risk-based capital ratios reported in line items 41 through 44 (Column A). Effective March 31, 2015, FR Y-9C filers would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in line item 40.a and the risk-based capital ratios in line items 41 through 44 (Column A) of the regulatory capital ratios portion of Schedule HC-R.

<sup>13</sup> The Federal Reserve's general risk-based capital rules are at 12 CFR parts 208 and 225, appendix A.

Under section 11 of the revised regulatory capital rules, institutions must hold sufficient common equity tier 1 capital to avoid limitations on distributions and discretionary bonus payments. An institution's (item 46(a)) capital conservation buffer is the lowest of the following measures: (1) the institution's common equity tier 1 capital ratio minus the applicable minimum (4 percent in 2014, 4.5 percent in 2014 and thereafter); (2) the institution's tier 1 capital ratio minus the applicable minimum (5.5 percent in 2015, 6 percent in 2015 and thereafter); and (3) the institution's total capital ratio minus 8 percent. Advanced approaches HCs must make additional calculations (item 46(b)) to account for all the applicable buffers, as described in section 11 of the revised regulatory capital rules. Item 46(b) would not apply to Schedule SC-R. If an institution's capital buffer is less than or equal to applicable minimum capital conservation buffer (or in the case of an advanced approaches HC, the applicable minimum capital conservation buffer plus any other applicable capital buffers), then it must report (item 47) eligible retained income and (item 48) distributions and discretionary bonus payments to executive officers, as described in section 11 of the revised regulatory capital rules.

### **Frequency**

There are no changes to the reporting frequency of the FR Y-9 family of reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

### **Time Schedule for Data Collection**

The FR Y-9C and FR Y-9LP are filed quarterly as of the end of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the end of June and December. The filing deadline for the FR Y-9SP is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31 and the filing deadline is July 31, unless an extension is granted for filing by October 15. The periodic FR Y-9CS is collected on an as needed basis. The filing deadline for the FR Y-9CS is generally 45 days after the as-of date.

The data from the FR Y-9 family of reports that are not given confidential treatment are available to the public on the FFIEC website ([www.ffiec.gov/nicpubweb/nicweb/nichome.aspx](http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx)) and through the National Technical Information Service (<http://ntis.gov/>).

## Legal Status

The Federal Reserve Board's Legal Division has determined that the FR Y-9 family of reports is authorized by Section 5(c) of the Bank Holding Company Act [12 U.S.C. 1844(c)(1) (A)]. Additionally, 12 U.S.C. 1467a(b)(2)(A) and 1850a(c)(1)(A), respectively, authorize the Federal Reserve to require that SLHCs and supervised securities holding companies file the FR Y-9C and FR Y-9SP with the Federal Reserve. Overall, the Federal Reserve does not consider the financial data in these reports to be confidential. However, a respondent may request confidential treatment pursuant to section (b)(4), (b)(6), or (b)(8) of the Freedom of Information Act [5 U.S.C. 552(b)(4), (b)(6), and (b)(8)].

## Consultation Outside the Agency

There has been consultation with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC). On August 12, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 48871) requesting public comment for 60 days on the revision to the FR Y-9C and the FR Y-9SP. The comment period for this notice expired on October 11, 2013.

The Federal Reserve received two comment letters regarding proposed revisions to the FR Y-9C and the FR Y-9SP from one banking organization and one bankers' association. In addition, the Federal Reserve, the FDIC, and the OCC (the agencies) collectively received three comment letters, including the two comment letters mentioned above, on proposed revisions to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036), which parallel proposed revisions to the FR Y-9C and FR Y-9SP and were taken into consideration for this proposal.<sup>14</sup> The commenters asked for clarification on the applicability and effective dates of the proposed reporting requirements and for additional clarifications and instructions on certain line items.

The following is a detailed discussion of the comments received and the responses of the Federal Reserve. In addition, several technical clarifications were made to the proposed forms and instructions to ensure consistency with the revised regulatory capital rules. The Federal Reserve requests latitude to modify proposed revisions to the FR Y-9C and FR Y-9SP reports that are appropriate and consistent with any revisions to comparable changes proposed to the Call Report for implementation in 2014 and 2015, or because of technical revisions or corrections to the revised regulatory capital rules related to the new definition of regulatory capital.

## Detailed Discussion of Public Comments

---

<sup>14</sup> The Federal Reserve plans to propose at a later date a request for comment to revise the risk-weighted assets portion of the FR Y-9C, Schedule HC-R, Part II and add Part II to the FR Y-9SP, Schedule SC-R, consistent with the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The revisions to the risk-weighted assets portion of the respective regulatory capital schedules would become effective in the first applicable reporting period in 2015. Therefore, for report dates in 2014, all HC-R respondents will continue to report risk-weighted assets in the portion of Schedule HC-R that contains existing data items 34 through 62 and Memoranda items 1 and 2 of current Schedule HC-R, but this portion of the schedule would be designated Part II and the data items would retain their existing numbers.

## **1. Proposed FR Y-9C, Schedule HC-R**

Under the proposal, in March 2014, the existing and proposed regulatory capital components and ratios portion of Schedule HC-R would be designated Parts I.A and I.B, respectively. Advanced approaches HCs would be required to file Part I.B in March 2014, which includes the reporting revisions consistent with the revised regulatory capital rules. All other HCs, except SLHCs, would file Part I.A, which includes existing data items 1 through 33 of current Schedule HC-R, for the reporting periods in 2014. In March 2015, Part I.A would be removed and Part I.B would be designated Part I; all HCs that are subject to FRY-9C filing requirements would then submit Schedule HC-R, Part I.

As proposed, Part I.B, Regulatory Capital Components and Ratios, would be divided into the following sections: (A) common equity tier 1 capital; (B) common equity tier 1 capital: adjustments and deductions; (C) additional tier 1 capital; (D) tier 2 capital; (E) total assets for the leverage ratio; (F) capital ratios; and (G) capital buffer. A brief description of each of these sections and the corresponding line items is provided below. The Federal Reserve did not receive any comments on the overall structure of the proposed Schedule HC-R, Part I.B and thus the Federal Reserve is proceeding with the overall structure of Part I.B, as proposed.

The Federal Reserve received several questions regarding the effective dates of the proposed FR Y-9C and certain items that apply to advanced approaches institutions only. One commenter asked when an HC subject to the Supervision and Regulation Letter (SR) 01-1 exemption must report the FR Y-9C, including the proposed Schedule HC-R. The Federal Reserve is clarifying in the reporting instructions that, consistent with the revised regulatory capital rules, these institutions are not subject to the consolidated regulatory capital requirements until July 21, 2015.<sup>15</sup> Thus, these institutions will be required to file the FR Y-9C, including the proposed Schedule HC-R, in the first reporting period following that date, which is the September 30, 2015, reporting date.

The same commenter asked when an HC is required to complete items that apply to advanced approaches HCs if the institution becomes subject to the advanced approaches rule but has not begun its parallel run period. The Federal Reserve is clarifying in the general instructions for the proposed Schedule HC-R that an institution must begin reporting certain advanced approaches-related items 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 (an opt-in institution). An institution will be deemed to have elected to use the advanced approaches rule on the date that the Federal Reserve receives from the institution a board-approved implementation plan pursuant to section 121(b)(2) of the revised regulatory capital rules. After that date, the institution may no longer apply the accumulated other comprehensive income (AOCI) opt-out election, consistent with section 22(b)(2) of the revised regulatory capital rules, and it becomes immediately subject to the supplementary leverage ratio in section 10(c)(4) and associated transition provisions. The institutions will be required to report all other advanced-approaches related items (i.e., items

---

15 78 FR 62018.

30.b, 32.b, 34.b, 35.b, 40.b, column B in items 41 through 44, and item 46.b) only after it completes its parallel run period, consistent with the proposal.

The Federal Reserve received several questions regarding the reporting treatment for items subject to transition provisions in the proposed Schedule HC-R, Part I.B. Specifically, commenters asked for clarification on reporting transition amounts of items subject to regulatory capital adjustments and deductions and reporting disallowed amounts during the transition period. As described below in section 1.B below, transition amounts are to be reported in the Schedule HC-R line item applicable to the particular regulatory capital adjustment or deduction, while the otherwise disallowed portion of each of those items is either risk-weighted or deducted from additional tier 1 capital, depending on the item.

Commenters also asked for clarification of the reporting of the risk-weighted portion of an item subject to deduction in Schedule HC-R. The Federal Reserve is clarifying the instructions for Part I.B of Schedule HC-R that the risk-weighted portion of such items as proposed must be reported in the line item appropriate to the item subject to deduction in Schedule HC-R, Part II, Risk-Weighted Assets. In addition, the Federal Reserve is clarifying that even though certain deductions may be net of associated deferred tax liabilities (DTLs), the risk-weighted portion of those items may not be reduced by the associated DTLs.

For example, for HCs subject to the revised regulatory capital rules on January 1, 2014, the appropriate line item for reporting the risk-weighted portion of mortgage servicing assets (MSAs) that are not deducted from common equity tier 1 capital, for report dates in 2014, is Schedule HC-R, Part II, item 42, "All other assets." The risk-weighted asset portion of MSAs may not be reduced by any associated DTLs. Also, the Federal Reserve proposed that line items in Part II be renumbered in 2015 because, as indicated in the proposal, the risk-weighted assets portion of Schedule HC-R would be revised to incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. Line item references in Schedule HC-R, Part II will be updated, as appropriate, in the instructions for 2015 after the revisions to the risk-weighted assets portion of the schedule are finalized.

Two commenters asked whether the proposed deduction of equity investments in financial subsidiaries in Schedule HC-R, Part I.B, line 10(b), should apply to HCs. The Federal Reserve is clarifying the instructions to note that, consistent with the current regulatory capital rules and reporting requirements, the requirement to deduct equity investments in financial subsidiaries does not apply at the consolidated HC level.

One commenter asked about deductions from common equity tier 1 capital and additional tier 1 that must be made to calculate total assets for the leverage ratio. The Federal Reserve is specifying in the reporting instructions the deductions that must be made to calculate total assets for the leverage ratio, as described in section 1.E below.

One commenter asked the Federal Reserve to confirm the effective dates for reporting the capital conservation buffer and the supplementary leverage ratio. The Federal Reserve is confirming that the capital conservation buffer (and any other applicable buffer for advanced approaches institutions) must be reported for report dates after January 1, 2016. Advanced



approaches HCs must report the supplementary leverage ratio for report dates after January 1, 2015 (see section 1.F below for further details). The Federal Reserve also is shading out the corresponding cells in the reporting form for Schedule HC-R, Part I.B, to show that institutions should not report these items until they become effective.

A brief description of the proposed revisions and the comments received on specific line items in Schedule HC-R, Part I.B, is provided below.

**A. Proposed Schedule HC-R, Part I.B, items 1-5: Common equity tier 1 capital**

Under the proposal, line items 1 through 5 will collect information regarding the new regulatory capital component, common equity tier 1 capital. The Federal Reserve did not receive any comments on these line items and thus the Federal Reserve is retaining the proposed line items without modification.

**B. Schedule HC-R, Part I.B, items 6-19: Common equity tier 1 capital: adjustments and deductions**

Proposed line items 6 through 19 reflect adjustments and deductions to common equity tier 1 capital, as described in section 22 of the revised regulatory capital rules. The Federal Reserve received a number of questions on reporting items subject to transition provisions. Specifically, questions related to items 7 through 10 asked where the transition amounts of the adjustments and deductions covered by these specific items are to be reported. The instructions for proposed Schedule HC-R, Part I.B, explain that during the transition period as proposed, institutions must report the transition amounts of these adjustments and deductions, rather than their fully phased-in amounts, in items 7 through 10. Institutions will not be required to report fully phased-in amounts in items 7 through 10 until the transition period ends.

For example, during the transition period, an institution must report in item 7 the appropriate transition amount of intangible assets (other than goodwill and MSAs), net of associated DTLs, as described in the instructions for that line item. The institution must also risk weight the non-deducted portion of that item at 100 percent and report it in Schedule HC-R, Part II, item 42, "All other assets." As another example, during the transition period, an institution must report in item 8 the appropriate transition amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, calculated as a percentage of the adjustment applied to common equity tier 1 capital. The institution must then report during the transition period the remaining balance of DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, in Schedule HC-R, Part I.B, item 24, "Additional tier 1 capital deductions."

A commenter also asked about risk weighting the non-deducted portion of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs; MSAs net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs). The instructions for proposed

Schedule HC-R, Part I.B, will explain that during the transition period the non-deducted portion of these threshold items must be risk weighted at 100 percent in accordance with section 300 of the revised regulatory capital rules and reported in Schedule HC-R, Part II, “All other assets.” For report dates after January 1, 2018, the non-deducted portion of the threshold items must be risk-weighted at 250 percent in accordance with section 22 of the revised regulatory capital rules and reported in the appropriate asset category in Schedule HC-R, Part II.

**C. Schedule HC-R, Part I.B, items 20 through 25: Additional tier 1 capital, and item 26: Tier 1 capital**

Proposed line items 20 through 25 pertain to the reporting of additional tier 1 capital elements under section 20 of the revised regulatory capital rules, along with related adjustments for non-qualifying capital instruments subject to phase-out. The Federal Reserve did not receive any comments on these line items and thus the Federal Reserve is retaining the proposed line items without modification.

**D. Schedule HC-R, Part I.B, items 27 through 34: Tier 2 capital, and item 35: Total capital**

Proposed line items 27 through 34 pertain to the reporting of tier 2 capital elements under section 20 of the revised regulatory capital rules, along with related adjustments for non-qualifying capital instruments subject to phase-out. The Federal Reserve did not receive any comments on these line items and thus the Federal Reserve is retaining the proposed line items without modification.

**E. Schedule HC-R, Part I.B, items 36 through 39: Total assets for the leverage ratio**

Under the proposal, institutions will report data for the calculation of the leverage ratio in items 36 through 39. One commenter asked the Federal Reserve to confirm the deductions from common equity tier 1 capital and additional tier 1 capital that must be made to calculate total assets for the leverage ratio. Specifically, the commenter asked whether the deductions made in Schedule HC-R, Part I.B, items 13 through 15, also must be made for purposes of the leverage ratio. The Federal Reserve is clarifying the reporting instructions for proposed Schedule HC-R, Part I.B, items 37 and 38, to address the commenter’s question. The Federal Reserve confirms that the amounts deducted from common equity tier 1 and additional tier 1 capital in Schedule HC-R, Part I.B, that items 6, 7, 8, 10.b, 11, 13 through 17, and 24 must be included in Schedule HC-R, Part I.B, item 37. In addition, any other amounts that are deducted from common equity tier 1 and additional tier 1 capital, such as deductions related to AOCI-adjustments, must be included in Schedule HC-R, Part I.B, item 38.

**F. Schedule HC-R, Part I.B, item 40: Total risk-weighted assets and items 41 through 45: Capital ratios**

Under the proposal, institutions will report data for the calculation of risk-weighted assets and capital ratios in items 41 through 45. The Federal Reserve received one question on this section of the proposal. Specifically, a commenter asked the Federal Reserve to confirm the

effective date of reporting the supplementary leverage ratio in item 45. The Federal Reserve is modifying the Schedule HC-R, Part I.B, reporting form and instructions for proposed item 45 to clarify that this item must be reported for report dates after January 1, 2015.

Under the proposal, for report dates in 2014, HCs that are advanced approaches institutions will continue applying the general risk-based capital rules to calculate their total risk-weighted assets, which will continue to be reported in current item 62 of the risk-weighted assets portion of Schedule HC-R (to be designated Part II of the schedule in March 2014)). This total risk-weighted assets amount will then also be reported in item 40.a of Part I.B of Schedule HC-R for report dates in 2014 and will serve as the denominator for the risk-based capital ratios reported in Schedule HC-R, Part I.B, items 41 through 44, column A. Effective March 31, 2015, HCs will be required to apply the standardized approach, described in subpart D of the revised regulatory capital rules, to calculate and report their risk-weighted assets in item 40.a and the risk-based capital ratios in items 41 through 44, column A, of the regulatory capital components and ratios portion of Schedule HC-R.

Advanced approaches HCs will report items 40 through 45 on proposed Schedule HC-R, Part I.B, as follows.

- For report dates in 2014, these institutions will continue applying the general risk-based capital rules to report their total risk-weighted assets in item 40.a, which will serve as the denominator of the ratios reported in items 41 through 44, column A.
- Starting on March 31, 2015, these institutions will apply the standardized approach, described in subpart D of the revised regulatory capital rules, to calculate and report their risk-weighted assets in item 40.a and the regulatory capital ratios in items 41 through 44, column A.
- After they conduct a satisfactory parallel run, these institutions will report their total risk-weighted assets (item 40.b) and regulatory capital ratios (items 41 through 44, column B) using the advanced approaches rule.
- In addition, starting on March 31, 2015, these institutions will report a supplementary leverage ratio in item 45, as described in section 10 of the revised regulatory capital rules.

The Federal Reserve did not receive any comments on the proposed reporting of the regulatory capital ratios by advanced approaches institutions and thus the Federal Reserve is retaining this section of the proposal without modification.

## **G. Schedule HC-R, Part I.B, items 46 through 48: Capital buffer**

Under the proposal, an institution's capital conservation buffer and related information will be reported in items 46 through 48. The Federal Reserve received a question asking to confirm the effective date for reporting items 46 through 48. The Federal Reserve is modifying the Schedule HC-R, Part I.B, reporting form and instructions for proposed items 46 through 48 to clarify that these items become effective for report dates after January 1, 2016. Until March 31, 2016, the corresponding cells in the draft reporting form for Schedule HC-R, Part I.B, will be shaded out.

## **2. Proposed FR Y-9SP Schedule SC-R**

The Federal Reserve did not receive any comments specific to the proposed Schedule SC-R on the FR Y-9SP. The Federal Reserve is making corresponding changes to the Schedule SC-R reporting form and instructions consistent with the Schedule HC-R changes described above.

In addition, the Federal Reserve is modifying the name of the proposed "Schedule SC-R, Regulatory Capital Components and Ratios" to "Schedule SC-R, Regulatory Capital, Part I. Regulatory Capital Components and Ratios." This modification will be consistent with the Federal Reserve's intent to propose additions to the proposed Schedule SC-R, which will collect information on risk-weighted assets for the regulatory capital ratios and be designated as Part II.

### **Sensitive Questions**

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

### **Estimates of Respondent Burden**

The current annual reporting burden for the FR Y-9 family of reports is estimated to be 281,768 hours and would increase to 301,876 hours as shown in the following table. The average estimated hours per response for non-advanced approaches FR Y-9C filers would increase from 45.59 hours to 48.84 hours, an increase of 3.25 hours associated with the proposed revisions to HC-R, Part I.B. The average estimated hours per response for advanced approaches FR Y-9C filers would increase from 45.59 hours to 50.09 hours, an increase of 4.50 hours associated with the proposed revisions to HC-R, Part I.B. The Federal Reserve estimates that non-advanced approaches respondents would take 8.25 hours and advanced approaches respondents would take 9.50 hours to complete the proposed Schedule HC-R, Part I.B. The Federal Reserve estimates that non-advanced approaches respondents and advanced approaches respondents would realize a decrease of 5.0 hours to no longer file Schedule HC-R, items 1 through 33. The average estimated hours per response for SLHC FR Y-9SP filers would increase from 5.40 hours to 14.20 hours, an increase of 8.80 hours associated with filing proposed Schedule SC-R. Further, the Federal Reserve estimates that SLHC FR Y-9SP respondents will incur a one-time implementation cost of 500 hours per respondent to develop accounting systems to record the proposed required data on a consolidated basis. The revised annual burden for the FR Y-9

family of reports would represent less than 3.5 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>16</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR Y-9C	1,140	4	45.59	207,890
FR Y-9LP	1,388	4	5.25	29,148
FR Y-9SP	4,094	2	5.40	44,215
FR Y-9ES	86	1	0.50	43
FR Y-9CS	236	4	0.50	<u>472</u>
<i>Total</i>				281,768
<i>Proposed</i>				
FR Y-9C – non AA BHCs	1,128	4	48.84	220,366
FR Y-9C – AA BHCs	12	4	50.09	2,404
FR Y-9LP	1,388	4	5.25	29,148
FR Y-9SP – BHCs	3,797	2	5.40	41,008
FR Y-9SP – SLHCs	297	2	14.20	8,435
<i>One-time implementation</i>				
FR Y-9SP – SLHCs	297	1	500	148,500
FR Y-9ES	86	1	0.50	43
FR Y-9CS	236	4	0.50	<u>472</u>
<i>Total</i>				450,376
<i>Change</i>				+20,108
<i>One-time Change</i>				+148,500

With the proposed revisions, the total annual cost to the public is estimated to increase from \$14,060,223 to \$15,063,612 for the revised HC reports.<sup>17</sup> In addition, the proposed one-time implementation cost is estimated to be \$7,410,150.

<sup>16</sup>Of the 6,944 respondents required to comply with this information collection, 5,234 respondents (73 FR Y-9C, 1,139 FR Y-9LP, 3,936 FR Y-9SP, and 86 FR Y-9ES) are considered a small entity as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

<sup>17</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 mean hourly wages (rounded) 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/).

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

The cost to the Federal Reserve System for collecting and processing these reports is estimated to be \$1,982,100.

## **Attachments**