

**Supporting Statement for the Financial Statements for Holding Companies  
(FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9ES, and FR Y-9CS; OMB No. 7100-0128)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under the Paperwork Reduction Act's (PRA) emergency review process, proposes to revise the following mandatory reports:

- (1) Consolidated Financial Statements for Holding Companies (FR Y-9C) (OMB No. 7100-0128),
- (2) Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP), and
- (3) Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP).

The family of FR Y-9 reporting forms also contains two other mandatory reports, which are not being revised:

- (1) Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES) and
- (2) Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Federal Reserve proposes to (1) eliminate Schedule SC-R, Regulatory Capital, Part I, on the FR Y-9SP; (2) increase the asset size threshold for filing the FR Y-9C and FR Y-9LP from \$500 million to \$1 billion in total consolidated assets (which would also effectively exempt holding companies with total consolidated assets of less than \$1 billion from reporting regulatory capital on Schedule HC-R, Regulatory Capital, Part I); and (3) increase the asset-size threshold for filing the FR Y-9SP from under \$500 million to under \$1 billion in total consolidated assets.

On December 18, 2014, the President signed into law Public Law 113-250 (the Act), which directs the Board to propose revisions to the Small Bank Holding Company Policy Statement (Policy Statement) to raise the total consolidated asset limit in the Policy Statement from \$500 million to \$1 billion, and expand the scope of the Policy Statement to include savings and loan holding companies (SLHCs). In order to implement Congressional intent, the Board must revise the Small Bank Holding Company Policy Statement (Policy Statement) and its capital regulations. The Federal Reserve is separately proposing changes to the Board's regulations to implement these revisions. Accordingly, the Federal Reserve proposes to increase the asset-size thresholds for reporting the FR Y-9C, the FR Y-9LP, and the FR Y-9SP consistent with the changes that are being separately proposed to the Small Bank Holding Company Policy Statement (Policy Statement). The Federal Reserve proposes to raise the asset-size threshold from \$500 million to \$1 billion for the FR Y-9C, the FR Y-LP, and the FR Y-9SP. The Federal Reserve also proposes to eliminate Part I of Schedule SC-R, Regulatory Capital (FR Y-9SP) consistent with changes that are being separately proposed to the Board's regulatory capital

requirements (Regulation Q).<sup>1</sup> The total current annual paperwork burden for the FR Y-9 family of reports is estimated to be 446,875 hours and is estimated to decrease by 253,554 hours for a proposed annual paperwork burden of 193,321 hours.

The PRA generally requires the Board to seek public comment on proposed information collections prior to approval.<sup>2</sup> The PRA, however, permits the Office of Management and Budget (OMB) to temporarily approve information collections without seeking comment if the collection is essential to the Board's mission and an unanticipated event has occurred. The information collected on the FR Y-9 is essential to the Board's supervisory mission. This unanticipated event occurred on December 18, 2014, when the President signed into law an act regarding application of the Small BHC Policy Statement to SLHCs and BHCs with total consolidated assets of less than \$1 billion. The revised capital rules described below became effective on January 1, 2015 for BHCs with total consolidated assets of \$500 million or more, and generally for SLHCS regardless of size. The Federal Reserve believes that this event would justify this emergency clearance, which would be valid for up to 6 months. The Federal Reserve is seeking public comment on these changes through the related rulemakings and intends to finalize these changes within 6 months as required under the PRA.<sup>3</sup>

The Board previously approved changes to regulatory capital schedules of the FR Y-9C and FR Y-9SP, which were to be effective March 31, 2015, and June 30, 2015, respectively. Institutions are currently preparing their systems for these changes and the Federal Reserve believes it is important to provide immediate relief consistent with the changes to the law and the Board's regulations. In addition, the Federal Reserve believes that it is also important to provide holding companies between \$500 million and \$1 billion in assets immediate relief from filing consolidated data quarterly on the FR Y-9C. Complying with the normal information collection approval procedures would substantially interfere with the Board's ability to issue final reporting form changes and provide burden relief to institutions within a timeframe that is consistent with the statutory intent.

## **Background and Justification**

In 2013, the Federal Reserve revised its regulatory capital rules (revised regulatory capital rules),<sup>4</sup> requiring corresponding revisions to the FR Y-9C and FR Y-9SP. Effective March 31, 2014, the Federal Reserve split the Schedule HC-R, Regulatory Capital, on the FR Y-9C into two parts: Part I, which collected information on regulatory capital components and ratios under the revised regulatory capital rules, and Part II, which collected information on the existing risk-weighted assets reporting requirements.<sup>5</sup> Advanced approaches holding companies

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<sup>1</sup> The Federal Reserve is currently seeking the Board's approval of (i) a notice of proposed rulemaking to revise the applicability of the Small BHC Policy Statement (consistent with the description of Public Law 113-250 above) and (ii) an interim final rule to exempt small SLHCs from Regulation Q as if they were BHCs subject to the Small BHC Policy Statement.

<sup>2</sup> 44 U.S.C. § 3501 *et seq.*

<sup>3</sup> 44 U.S.C. § 3507(j); 5 C.F.R. § 1320.13 and Appendix A.

<sup>4</sup> The revised regulatory capital rules were approved and issued by the Board in July 2013 and published in the *Federal Register* on October 11, 2013. See 78 FR 62018.

<sup>5</sup> In January 2014, the Board approved new Schedule HC-R, Part I.B, Regulatory Capital Components and Ratios, which as explained in footnote 7, will be re-labeled as Part I effective March 31, 2015. See 79 FR 1862.

(HCs), except savings and loan holding companies (SLHCs), began reporting on the proposed Schedule HC-R, Part I.B, Regulatory Capital Components and Ratios<sup>6</sup> effective March 2014. All other HC-R filers would begin reporting on the proposed Schedule HC-R, Part I, Regulatory Capital Components and Ratios, effective March 31, 2015.<sup>7</sup> The Federal Reserve also approved in January 2014, Schedule SC-R, Part I, Regulatory Capital Components and Ratios, to collect information on consolidated regulatory capital components and ratios from small SLHCs that are subject to the revised regulatory capital rules, effective June 30, 2015. Schedule SC-R, Part I, would collect the same data items as Schedule HC-R, Part I, except Schedule HC-R, Part I, would collect additional data from advanced approaches HCs.

Since the Board's interim final rule immediately exempts small SLHCs (under \$500 million in total consolidated assets) from the minimum capital requirements, the Federal Reserve proposes to eliminate Schedule SC-R, Regulatory Capital, Part I, through the emergency clearance process as this schedule is no longer necessary and would be costly and burdensome for institutions to complete. Without this relief, these SLHCs would become subject to capital reporting requirements for the first time in June 2015 and the capital reporting requirements would apply for only a few months until the regular clearance process could be completed. If relief is provided, approximately 189 SLHCs would no longer be required to report schedule SC-R, Part I.

On August 6, 2014, the Federal Reserve requested comment on proposed revisions to Schedule HC-R, Part II, Risk-Weighted Assets and to line items related to securities lent and borrowed in Schedule HC-L, Derivatives and Off-Balance Sheet Items, to ensure that all banking organizations are reporting risk-weighted assets (RWAs) consistent with the standardized approach outlined in the revised regulatory capital rules. The revisions would become effective for the March 31, 2015, report date. The Federal Reserve also requested comment on proposed Schedule SC-R, Part II, Risk-Weighted Assets, to ensure that affected small SLHCs are reporting risk-weighted assets (RWAs) consistent with the standardized approach outlined in the revised regulatory capital rules. Proposed Schedule HC-R, Part II, of the FR Y-9C and Schedule SC-R, Part II, of the FR Y-9SP would collect the same data items.

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<sup>6</sup> An advanced approaches institution as defined in section 100 of the revised regulatory capital rules (i) has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to \$250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to \$10 billion or more (excluding exposures held by an insurance underwriting subsidiary), as calculated in accordance with FFIEC 009 (OMB No. 7100-0035); (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 (Board), or 12 CFR part 325 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a BHC or SLHC 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. See 78 FR 62018.

<sup>7</sup> During the 2014 reporting periods, Part I Schedule HC-R was divided into Part I.A and Part I.B. Part I.A (completed by non-advanced approaches HCs) included data items 1 through 33 of current Schedule HC-R. Part I.B (completed by advanced approaches HCs) included reporting revisions consistent with the revised regulatory capital rules. Part II (completed by all HC-R filers) included data items 34 through Memoranda item 10 of current Schedule HC-R. Effective March 31, 2015, Part I.A would be removed and Part I.B would become Part I (to be completed by all HC-R filers). Part II would be renumbered data items 1 through Memoranda item 4 and, consistent with the revised regulatory capital rules, would implement the standardized approach for the risk weighting of assets (to be completed by all HC-R filers).

The proposal to revise Part II risk-weighted assets is currently being finalized and the Federal Reserve will separately recommend through the regular reports clearance process that the Board not finalize the proposed revisions to the FR Y-9C Schedule HC-R, Part II, for BHCs and SLHCs with total consolidated assets of less than \$1 billion that otherwise would have been subject to the Small BHC Policy Statement in effect as of the filing date for the FR Y-9C. The Act directs the Board to publish in the *Federal Register* proposed revisions to the Small Bank Holding Company Policy Statement that provide that the Policy Statement shall apply to BHCs and SLHCs that have pro forma consolidated assets of less than \$1 billion and that (1) are not engaged in significant nonbanking activities either directly or through a nonbank subsidiary, (2) do not conduct significant off-balance sheet activities either directly or through a nonbank subsidiary (including securitization and asset management or administration), and (3) do not have a material amount of debt or equity securities outstanding (other than trust preferred securities) that are registered with the Securities and Exchange Commission (SEC).

Due to the recent act affecting the Policy Statement and consistent with the Federal Reserve's efforts to reduce burden on smaller institutions, the Federal Reserve also proposes to increase the asset size threshold for filing the FR Y-9C and FR Y-9LP from \$500 million to \$1 billion and increase the asset size threshold for filing the FR Y-9SP from under \$500 million to under \$1 billion through the emergency clearance process. The change in threshold size would allow approximately 483 BHCs with consolidated assets between \$500 million to \$1 billion and 40 SLHCs with total consolidated asset between \$500 million and \$1 billion to file the less complex, parent-only FR Y-9SP semiannually (instead of the consolidated FR Y-9C quarterly). The Federal Reserve believes it would be unnecessarily costly and burdensome for these institutions to prepare their systems to report revised regulatory capital data on Schedule HC-R and to continue reporting the remaining schedules of the FR Y-9C quarterly. Without this relief, these BHCs and SLHCs would become subject to revised capital reporting requirements for the first time March 31, 2015, and the reporting requirements would apply for only a few months until the regular clearance process could be completed. The Federal Reserve proposes to use the emergency clearance process because there is not adequate time to clear these changes through the normal clearance process before the next effective date of the report of March 31, 2015.

## **Description of Information Collection**

The FR Y-9C consists of standardized financial statements similar to the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031 and FFIEC 041; OMB No. 7100-0036) filed by commercial banks. It collects consolidated data from HCs and is filed by top-tier HCs with total consolidated assets of \$500 million or more.<sup>8</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.

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

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<sup>8</sup> Under certain circumstances described in the General Instructions, HCs with assets under \$500 million may be required to file the FR Y-9C.

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 Employee Stock Ownership Plans (ESOPs) that are also HCs on their benefit plan activities; it consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The FR Y-9CS is a supplemental report that the Federal Reserve may utilize 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 and are intended to supplement the other FR Y-9 reports, which are used to monitor HCs between on-site inspections. The data items included on the FR Y-9CS may change as needed.

### **Frequency**

The Federal Reserve recommends 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 Information Collection and Publication**

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 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.

### **Legal Status**

The Board's Legal Division 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)). In addition, 12 U.S.C. §§ 1467a(b)(2)(A) and 1850a(c)(1)(A) authorize the Board to require that savings and loan holding companies and supervised securities holding companies also file the FR Y-9 series of reports with the Federal Reserve. Overall, the Board does not consider the financial data in these reports to be confidential. However, a respondent may request confidential treatment pursuant to sections (b)(4), (b)(6), and (b)(8) of the Freedom of Information Act (5 U.S.C. §§

552(b)(4), (b)(6), and (b)(8)). The applicability of these exemptions would need to be reviewed on a case by case basis.

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **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 446,875 hours and would decrease to 193,321 hours as shown in the following table. This total decrease is associated with (1) eliminating Schedule SC-R, Regulatory Capital, Part I, of the FR Y-9SP, which would have been applicable to SLHCs; (2) increasing the asset size threshold for filing the FR Y-9C and FR Y-9LP from \$500 million to \$1 billion in total consolidated assets; and (3) increasing the asset-size threshold for filing the FR Y-9SP from under \$500 million to under \$1 billion in total consolidated assets. Eliminating Schedule SC-R resulted in reducing the hourly estimate for SLHCs from 14.20 to 5.40 hours per response (which is the same hourly estimate as BHCs) and eliminating the burden associated with the one-time implementation of this schedule. Increasing the asset size thresholds on the FR Y-9C, FR Y-9LP, and FR Y-9SP resulted in over 40 percent of institutions shifting from filing the complex FR Y-9C and FR Y-9LP quarterly to filing the FR Y-9SP semiannually. Finally, the hourly estimate associated with the FR Y-9SP is significantly lower than the hourly estimate associated with the complex FR Y-9C. The revised annual burden for the FR Y-9 family of reports would represent 1.21 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>9</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
FR Y-9C – non AA BHCs	1,127	4	48.84	220,171
FR Y-9C – AA BHCs	12	4	50.09	2,404
FR Y-9LP	1,354	4	5.25	28,434
FR Y-9SP – BHCs	3,557	2	5.40	38,416
FR Y-9SP – SLHCs	297	2	14.20	8,435
One-time implementation				
FR Y-9SP – SLHCs	297	1	500.00	148,500
FR Y-9ES	86	1	0.50	43
FR Y-9CS	236	4	0.50	<u>472</u>
	<i>Total</i>			446,875
<b>Proposed</b>				
FR Y-9C – non AA BHCs	644	4	48.84	125,812
FR Y-9C – AA BHCs	12	4	50.09	2,404
FR Y-9LP	818	4	5.25	17,178
FR Y-9SP	4,390	2	5.40	47,412
FR Y-9ES	86	1	0.50	43
FR Y-9CS	236	4	0.50	<u>472</u>
	<i>Total</i>			193,321
	<i>Change</i>			-253,554

With the revisions the total cost to the public is estimated to decrease from the current level of \$22,745,938 to \$9,840,039.<sup>10</sup>

### 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.

<sup>9</sup> Of these respondents, 132 for the FR Y-9C (non AA BHCs), 0 for the FR Y-9C (AA BHCs), 158 for the FR Y-9LP, 3,839 for the FR Y-9SP, 86 for the FR Y-9ES, and 0 for the FR Y-9CS are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards).

<sup>10</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$61, 15% Lawyers at \$63, and 10% Chief Executives at \$86). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2013*, published April 1, 2014, [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/).