

SUPPORTING STATEMENT

Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule

FFIEC 102

(OMB No. 3064-NEW)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is submitting for Office of Management and Budget (OMB) review a proposed new report, the Federal Financial Institutions Examination Council (FFIEC) Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102). This new report would be filed quarterly by FDIC-supervised banks and savings associations that are subject to the market risk capital rule. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting this proposed new report for OMB review for the institutions under their supervision.

An institution (i.e., a bank, savings association, bank holding company, or savings and loan holding company) must apply the market risk capital rule if the institution has aggregate trading assets and trading liabilities, as reported in the institution's most recent Consolidated Reports of Condition and Income (Call Report)¹ or Consolidated Financial Statements for Holding Companies (FR Y-9C),² as applicable, equal to (a) 10 percent or more of quarter-end total assets or (b) \$1 billion or more. This new report has been approved by the FFIEC and would take effect March 31, 2015.

A. JUSTIFICATION

1. Circumstances and Need

In July 2013, the FDIC, the FRB, and the OCC (collectively, the agencies) adopted amendments to the market risk capital rule. The revised market risk capital rule took effect on January 1, 2015. Those insured depository institutions and holding companies that were subject to the agencies' prior market risk capital rule³ have reported their market risk equivalent assets in the Call Report (FFIEC 031 or FFIEC 041) or the Consolidated Financial Statements for Holding Companies (FR Y-9C), as applicable. The current regulatory reporting requirements reveal the result of the market risk calculations, but they do not include the key components of the calculation of market risk.

The agencies are proposing to collect the data in the new Market Risk Regulatory Report (FFIEC 102) in order to assess the reasonableness and accuracy of a market risk institution's calculation of its minimum capital requirements under the revised market risk capital rule and to

1 OMB Numbers: OCC, 1557-0081; Board, 7100-0036; and FDIC, 3064-0052.

2 OMB Number: Board, 7100-0128.

3 See 12 CFR Part 325, Appendix C (FDIC).

evaluate a market risk institution's capital in relation to its risks. Each market risk institution (an institution that is subject to the amended market risk capital rule⁴) would be required to file the FFIEC 102. The FFIEC 102 would allow the agencies to better track growth in more credit-risk related, less liquid, and less actively traded products subject to the market risk rule.

The form and content of the proposed FFIEC 102 and the reasons for this new information collection are more fully described in the agencies' initial and final Paperwork Reduction Act (PRA) Federal Register notices published on September 2, 2014, and February 18, 2015, respectively.

2. Use of Information Collected

The data that are proposed to be collected in the FFIEC 102 would improve the agencies' ability to monitor the levels of, and trends in, the components that comprise the market risk measure under the market risk capital rule within and across market risk institutions. This component reporting would allow supervisors to better understand model-implied diversification benefits for individual market risk institutions. The data would also enhance institution-to-institution comparisons of the drivers underlying market risk institutions' measures for market risk, identify potential outliers through market risk institution-to-peer comparisons, track these drivers over time relative to trends in other risk indicators at market risk institutions, and focus the agencies' onsite examination efforts at market risk institutions.

In addition, the market risk information collected in the proposed FFIEC 102 would: (a) permit the agencies to monitor the market risk profile of and evaluate the impact and competitive implications of the market risk capital rule on individual market risk institutions and the industry as a whole; (b) provide the most current statistical data available to identify areas of market risk on which to focus for onsite and offsite examinations; (c) allow the agencies to assess and monitor the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk capital rule; and (d) assist market risk institutions to implement and validate the market risk framework.

These reports should help the agencies identify and appropriately reflect market risks in their assessments of the safety and soundness of market risk institutions.

3. Use of Technology to Reduce Burden

Market risk institutions may use any information technology that allows them to meet the requirements of this proposed collection. All market risk institutions would be required to submit their completed reports electronically using the Federal Reserve's Reporting Central application.

⁴ For FDIC-supervised institutions, 12 CFR § 324.201; for FRB-supervised institutions, 12 CFR § 217.201; for OCC-supervised institutions, 12 CFR § 3.201.

4. Efforts to Identify Duplication

The market risk information proposed to be collected in the FFIEC 102 is unique. No duplication with other information collections exists.

5. Minimizing the Burden on Small Institutions

The proposed FFIEC 102 would be collected only from market risk institutions. As stated in the Introduction, a market risk institution is a bank, savings association, bank holding company, or savings and loan holding company that reported aggregate trading assets and trading liabilities in its most recent Call Report or FR Y-9C equal to (a) 10 percent or more of quarter-end total assets or (b) \$1 billion or more. Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a “small entity” includes depository institutions with assets of \$550 million or less. This proposed collection does not have a significant impact on a substantial number of small entities.

6. Consequences of Less Frequent Collection

Less frequent collection would present safety and soundness concerns and hinder the FDIC’s ability to assess the adequacy of market risk institutions’ capital under the market risk capital rule, which requires the quarterly measurement of market risk-weighted assets.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

On September 2, 2014, the agencies, under the auspices of the FFIEC, published an initial notice in the Federal Register (79 FR 52108) requesting public comment for 60 days on the proposed FFIEC 102 (proposal). The comment period for this notice expired on November 3, 2014. The agencies collectively received one comment on the proposal. The FFIEC and the agencies made certain clarifications pertaining to the information reported on the comprehensive risk capital requirement to address the comment received. Subject to OMB approval, the agencies plan to proceed with the implementation of the FFIEC 102 reporting requirements substantially as proposed effective March 31, 2015, but with clarifications noted above.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

All data reported in the FFIEC 102 would be made available to the public. However, as explained in the draft final instructions for the FFIEC 102, a market risk institution may request confidential treatment for some or all of the portions of the FFIEC 102 if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position.

11. Information of a Sensitive Nature

The Call Report contains no questions of a sensitive nature.

12. Estimate of Annual Burden

Estimated Number of Respondents: 1 FDIC-supervised depository institution.

Estimated Time per Response: 12 burden hours per quarter to file.

Estimated Total Annual Burden: 48 burden hours to file.

13. Estimate of Total Annual Cost Burden

For the FDIC-supervised institution respondent for the proposed FFIEC 102, Call Report data as of December 31, 2014, indicate that, for the full range of officers and employees, salaries and employee benefits per full-time equivalent employee averaged nearly \$45.50 per hour. This cost is supplemented by an estimated additional \$25.00 per hour for the cost of data processing and other overhead to support the institution's preparation of the proposed report. The total annual cost burden is an estimated amount is estimated to be approximately \$3,400 based on the application of the combined \$70.50 per hour cost to the estimated total annual burden of 48 hours.

14. Estimate of Total Annual Cost to the Federal Government

The Federal Reserve System will be collecting and processing the FFIEC 102 on behalf of the three federal banking agencies. The Federal Reserve's responsibilities for ongoing data processing include creating and providing extract files of the FFIEC 102 data for the FDIC and the OCC. Any cost to the FDIC for receiving and using these extract files is expected to be nominal. Please refer to the FRB's Supporting Statement for the proposed FFIEC 102 for information on its one-time cost to implement the report and its ongoing cost for collecting and processing the FFIEC 102 data.

15. Reason for Change in Burden

The increase in burden (+ 48 hours) is due to the fact that this is a new collection.

16. Publication

All data reported in the FFIEC 102 would be made available to the public on the FRB's National Information Center public Web site and the FFIEC's public Web site.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.