

**Supporting Statement  
Subordinated Debt  
OMB Control No. 1557-0320**

A. Justification.

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.**

National Bank Requirements

All national banks must receive prior OCC approval in order to prepay subordinated debt that is included in tier 2 capital, and certain banks must receive prior approval to prepay subordinated debt that is not included in tier 2 capital. If the prepayment is in the form of a call option and the subordinated debt is included in tier 2 capital, a national bank must submit the information required for general prepayment requests under 12 CFR 5.47(g)(1)(ii)(A) and also comply with 12 CFR 5.47(g)(1)(ii)(B)(2), which requires a national bank to submit either: (1) a statement explaining why the bank believes that following the proposed prepayment the bank would continue to hold an amount of capital commensurate with its risk; or (2) a description of the replacement capital instrument that meets the criteria for tier 1 or tier 2 capital under 12 CFR 3.20, including the amount of such instrument and the time frame for issuance.

Twelve CFR 5.47(d)(3) requires that a description must appear on the face of the subordinated debt note of the OCC's authority under 12 CFR 3.11 to limit distributions, including interest payments on any tier 2 capital instrument if the national bank has full discretion to permanently or temporarily suspend such payments without triggering an event of default.

Federal Savings Association Requirements

The prepayment of subordinated debt securities or mandatorily redeemable preferred stock ("covered securities") included in tier 2 capital requires prior OCC approval. In addition, if the prepayment is in the form of a call option, a Federal savings association must submit the information required for general prepayment requests under 12 CFR 5.56(j)(2)(i) and also comply with 12 CFR 5.56(j)(2)(ii)(A), which requires a Federal savings association to submit either: (1) a statement explaining why the Federal savings association believes that following the proposed prepayment the savings association would continue to hold an amount of capital commensurate with its risk; or (2) a description of the replacement capital instrument that meets the criteria for tier 1 or tier 2 capital under 12 CFR 3.20, including the amount of such instrument and the time frame for issuance.

**2. Indicate how, by whom, and for what purpose the information is to be used. Indicate**

***the actual use the agency has made of any information received from the current collection.***

Federal law and OCC regulations require that, under certain circumstances, a national bank or Federal savings association (collectively, “institution”) must receive OCC approval to issue or prepay subordinated debt and include subordinated debt in tier 2 capital. The OCC uses information submitted by institutions to decide whether to grant approval for requests to issue or prepay subordinated debt and/or include subordinated debt in tier 2 capital.

The OCC uses the request for approval to issue or prepay subordinated debt or include subordinated debt in tier 2 capital, outlined in 12 CFR 5.47 and 5.56, to determine whether to grant or deny an institution’s request. In addition, when the prepayment is in the form of a call option and the subordinated debt is included in tier 2 capital, the OCC uses the additional information provided to determine whether to require the institution to replace the instrument with an instrument that meets the criteria for tier 1 or tier 2 capital, and, if so, whether the replacement instrument would qualify as tier 1 or tier 2 capital. The information collected is used to ensure compliance with legal and regulatory requirements. In the case of a prepayment in the form of a call option, the OCC uses the additional information collected to implement a requirement in the OCC’s capital regulations.

The description required to be disclosed on the face of the subordinated debt note contains important information that should be known by potential purchasers.

***3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Describe any consideration of using information technology to reduce burden.***

Any improved technology that allows respondents to meet the requirements of the regulation may be used.

***4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 of this Supporting Statement.***

Each submission is unique to the individual bank and situation.

***5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.***

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

***6. Describe the consequence to Federal program or policy activities if the collection is***

***not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.***

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

**7. *Explain any special circumstances necessitating collection inconsistent with 5 CFR 1320.5(d)(2).***

The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.5(d)(2).

**8. *Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format and on the data elements to be recorded, disclosed, or reported. Include citations to any relevant Federal Register notices, summarize any comments received, and indicate any actions taken in response to comments.***

The OCC issued a 60-day *Federal Register* notice on April 14, 2015, regarding the collection (80 FR 20074). No comments were received regarding the information collection. One comment was received regarding subordinated debt guidelines and rulemakings issued separately by the OCC. The comment will be considered with regard to those issuances.

**9. *Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.***

None.

**10. *Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.***

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

**11. *Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private, including the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.***

Not applicable. No information of a sensitive nature is collected.

**12. Provide estimates of the hour burden of the collection. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories.**

<b>Information Collection</b>	<b>No. of Respondents</b>	<b>No. of Responses</b>	<b>Hours per Response</b>	<b>Estimated Total Burden</b>
Prepayment of Subordinated Debt in Form of Call Option – Reporting Requirement	184	184	1.30	239
Authority to Limit Distributions – Disclosure Requirement	42	1	0.5	21
Total				260

The cost of the hour burden is as follows:

$$260 \text{ hours} \times \$95.50 = \$24,830$$

To estimate compensation costs associated with the collection, we used \$95.50 per hour, which is based on May 2012 Bureau of Labor Statistics wage data for the average of the 90<sup>th</sup> percentile for seven occupations (i.e., accountants and auditors, compliance officers, financial analysts, lawyers, management occupations, software developers, and statisticians) plus an additional 33 percent to cover inflation adjustments and private sector benefits. According to Bureau of Labor Statistics employer costs of employee benefits data, thirty percent represents the average private sector costs of employee benefits. We use an inflation estimate of 3 percent.

**13. Estimate of total annual startup and annual capital costs to respondents; and cost of operation, maintenance and purchase of services.**

Not applicable.

**14. Provide estimates of annualized cost to the Federal government, including a description of the method used to estimate cost.**

Not applicable.

**15. Explain the reasons for any program changes or adjustments reported.**

There is no change in burden.

**16. For collections of information whose results will be published, outline plans for tabulation and publication.**

Not applicable.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

Not applicable.

**18. Explain each exception to the topics of the certification statement identified in the “Certification for Paperwork Reduction Act Submissions.”**

Not applicable.

**B. Collections of Information Employing Statistical Methods**

Not applicable.