

SUPPORTING STATEMENT
ASSESSMENT RATE ADJUSTMENT GUIDELINES
FOR LARGE AND HIGHLY COMPLEX INSTITUTIONS
3064-0179

INTRODUCTION

The FDIC is requesting OMB approval to extend a collection of information related to the Assessment Rate Adjustment Guidelines for Large and Highly Complex Institutions that allows a large and highly complex insured depository institution to request that the FDIC make an adjustment to its total score determined under the large institution assessment scorecard or the highly complex institution assessment scorecard.

Institutions can submit a written request for an adjustment to the FDIC's Director of the Division of Insurance and Research in Washington, D.C. Similar to FDIC-initiated adjustments, an institution's request for an adjustment is considered only if it is supported by evidence of a material risk or risk-mitigating factor that is not adequately accounted for in the scorecard. The FDIC considers these requests as part of its ongoing effort to identify and adjust scores that require adjustment. An institution-initiated request would not preclude a subsequent request for review (under 12 CFR § 327.4(c)) or appeal pursuant to the assessment appeals process.

JUSTIFICATION

1. Circumstances and Need

The FDIC's assessment authority is set forth in Section 7 of the Federal Deposit Insurance Act, 12 U.S.C. § 1817(b) and (c). Pursuant to this statutory authority, the FDIC promulgated regulations that revamped the assessment system for large and highly complex insured depository institutions. These regulations also set out the process for making adjustments to the total score of these institutions. 12 C.F.R. § 327.9(b)(3). Further, the regulations set out the parameters of the adjustment process, including the scorecard point range for adjustments (up or down a maximum of 15 points), the requirement that the FDIC provide the institution and its primary federal regulator with notice and an opportunity to respond when proposing an upward adjustment or removal of a previously implemented downward adjustment, the requirement that the FDIC consider the response of the institution and its primary federal regulator, and the ability of the FDIC to make adjustments without notice under limited circumstances.

Under these guidelines, the FDIC – proactively – focuses on identifying institutions for which a combination of risk measures and other information suggests either a materially higher or lower risk than their total scores indicate. The FDIC primarily focuses on two types of information in determining whether to make a large bank adjustment: a scorecard ratio or measure that exceeds the maximum cutoff value for a ratio or measure or is less than the minimum cutoff value for a ratio or measure along with the degree to which the ratio or measure differs from the cutoff value (scorecard measure outliers); and

information not directly captured in the scorecard, including complementary quantitative risk measures and qualitative risk considerations. Adjustments will be made only if the comprehensive analysis of an institution's risk, generally based on these two types of information, and the institution's relative risk ranking, warrant a meaningful adjustment of the institution's total score (generally, an adjustment of five points or more on the scorecard).

The FDIC will consult with an institution's primary federal regulator and appropriate state banking supervisor before making any decision to adjust an institution's total score (and before removing a previously implemented adjustment).

The FDIC gives institutions advance notice of any decision to make an upward adjustment to a total score, or to remove a previously implemented downward adjustment. The notice will include the reasons for the proposed adjustment or removal, the size of the proposed adjustment or removal, specify when the adjustment or removal would take effect, and provide institutions with up to 60 days to respond.

The FDIC re-evaluates the need for total score adjustments on a quarterly basis.

The FDIC allows institutions to make a written request to the FDIC for an adjustment. In making such a request, the institution will provide support by including evidence of a material risk or risk-mitigating factor that is not adequately accounted for in the scorecard. In this way, the FDIC will further ensure that the adjustment process is accessible, fair and transparent, and that any decision to adjust is well-supported.

An institution is able to request review of or appeal an upward adjustment, the magnitude of an upward adjustment, removal of a previously implemented downward adjustment or an increase in a previously implemented upward adjustment through the FDIC's internal review process set forth at 12 C.F.R. § 327.4(c). An institution can similarly request review of or appeal a decision not to apply an adjustment following a request by the institution for an adjustment.

An institution will request that the FDIC make an adjustment to its score by submitting a written request to the FDIC's Director of the Division of Insurance and Research in Washington, D.C.

2. Use of Information Collected

The FDIC will use the information collected with a request for adjustment to ensure that the adjustment process is fair and transparent and that any decision to adjust is well-supported. The information obtained will supplement any information used when the FDIC on its own initiative reviewed the requesting institution's condition for purposes of determining whether to adjust an institution's assessment rate under the large and highly complex institution adjustment process.

3. Use of Technology to Reduce Burden

Because the FDIC on its own initiative reviews the condition of all large and highly complex insured institutions as part of the adjustment process, adjustment requests will likely involve supplemental information that the FDIC will be receiving. The FDIC may, in the normal course of business, receive supervisory material from large and highly complex institutions as part of the assessment process. No special efforts have been undertaken by the FDIC to use improved information technology to reduce the burden associated with preparing and filing the request for adjustment.

4. Efforts to Identify Duplication

Because the FDIC on its own initiative will review the condition of all large and highly complex institutions and initiate adjustments where warranted, adjustment requests involve supplemental information that the FDIC would be receiving for the first time.

5. Minimizing the Burden on Small Banks

Because only large and highly complex institutions (i.e., those with over \$10 billion in total assets) are subject to the assessment adjustment process, no burden will be imposed on small banks.

6. Consequences of Less Frequent Collection

Large and highly complex institutions may request an adjustment to their total score when they believe such an adjustment is merited. Because the FDIC will on its own initiative review every large and highly complex institution for potential adjustments every quarter, it is anticipated that the number of requests will be limited. Institutions may make such requests at their own discretion.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

Public comment was solicited on the Paperwork Reduction Act implications of this proposal. 80 FR 6711 (February 6, 2015). The FDIC received no comments.

9. Payment of Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

The adjustment request would relate to the supervisory condition of an institution and would likely contain confidential supervisory information that will be kept private to the extent allowed by law.

11. Information of a Sensitive Nature

The adjustment request would relate to the supervisory condition of an institution and would likely contain confidential supervisory information.

12. Estimate of Annual Burden

Respondents:	Large and highly complex depository institutions
Number of annual respondents (Adjustment Requests):	0 - 11
Frequency of response:	On occasion
Hours required to prepare Adjustment Request:	8 - 80
Total burden in hours:	0 - 880

13. Estimate of Total Annual Cost Burden

Not applicable.

14. Estimate of Total Annual Cost to the Federal Government

Not applicable

15. Reason for Program Changes or Adjustments

None.

16. Publication

The information collected in adjustment requests would be confidential supervisory information and would not be published or publicly disclosed.

17. Display of Expiration Date

Not applicable.