

**Supporting Statement for the  
Reporting, Recordkeeping, and Disclosure Requirements Associated with  
Enhanced Prudential Standards (Regulation YY)  
(Reg YY; OMB No. 7100-0350)**

***Enhanced Prudential Standards for Bank Holding Companies and  
Foreign Banking Organizations  
(Docket No. R-1438) (RIN 7100-AD86)***

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Reporting, Recordkeeping, and Disclosure Requirements Associated with Enhanced Prudential Standards (Regulation YY) (Reg YY; OMB No. 7100-0350). Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires the Board to implement enhanced prudential standards for bank holding companies and foreign banking organizations with total consolidated assets of \$50 billion or more. The enhanced prudential standards include risk-based and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee), stress test requirements, and debt-to-equity limits for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability. On March 27, 2014, the Federal Reserve published a notice of final rulemaking in the *Federal Register* (79 FR 17240). The final rule is effective on June 1, 2014.

The reporting requirements are found in sections 252.122(b)(1)(iii); 252.132(a), (b), and (d); 252.143(a), (b), and (c); 252.144(a), (b), and (d); 252.145(a); 252.146(c)(1)(iii); 252.153(a)(3); 252.153(c)(3); 252.153(d); 252.154(a), (b), and (c); 252.157(b); 252.158(c)(1); 252.158(c)(2); and 252.158(d)(1)(ii).<sup>157</sup> The recordkeeping requirements are found in sections 252.34(e)(3), 252.34(f), 252.34(h), 252.35(a)(7), 252.153(e)(5), 252.156(e), 252.156(g), and 252.157(a)(7). The disclosure requirements are found in section 252.153(e)(5). The annual burden for this information collection is estimated to be 118,546 hours, an increase of 59,226 hours from the current burden of 59,320 hours. There are no required reporting forms associated with this information collection.

**Background and Justification**

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or the Act)<sup>1</sup> directs the Board of Governors of the Federal Reserve System (Board) to establish prudential standards for bank holding companies with total consolidated assets of \$50 billion or more and for nonbank financial companies that the Financial Stability Oversight Council (Council) has determined will be supervised by the Board (nonbank financial companies supervised by the Board) in order to prevent or mitigate risks to U.S. financial stability that could arise from the material financial distress or failure, or ongoing activities of, large, interconnected

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<sup>1</sup> Public Law 111-203, 124 Stat 1376 (2010).

financial institutions. The Dodd-Frank Act requires the enhanced prudential standards established by the Board under section 165 of the Act to be more stringent than those standards applicable to other bank holding companies and to nonbank financial companies that do not present similar risks to U.S. financial stability.<sup>2</sup> The standards must also increase in stringency based on several factors, including the size and risk characteristics of a company subject to the rule, and the Board must take into account the difference among bank holding companies and nonbank financial companies based on the same factors.<sup>3</sup> Generally, the Board has authority under section 165 of the Act to tailor the application of the standards, including differentiating among companies subject to section 165 on an individual basis or by category. In applying section 165 to foreign banking organizations, the Dodd-Frank Act also directs the Board to give due regard to the principle of national treatment and equality of competitive opportunity, and to take into account the extent to which the foreign banking organization is subject, on a consolidated basis, to home country standards that are comparable to those applied to financial companies in the United States.<sup>4</sup>

The prudential standards must include enhanced risk-based and leverage capital requirements, liquidity requirements, risk-management and risk-committee requirements, resolution-planning requirements, single counterparty credit limits, stress-test requirements, and a debt-to-equity limit for companies that the Council has determined pose a grave threat to the financial stability of the United States. Section 165 also permits the Board to establish other prudential standards in addition to the mandatory standards, including three enumerated standards—a contingent capital requirement, enhanced public disclosures, and short-term debt limits—and any “other prudential standards” that the Board determines are “appropriate.”

In addition, section 165(i)(1) of the Dodd-Frank Act requires the Federal Reserve to conduct an annual stress test of each covered company to evaluate whether the covered company has sufficient capital, on a total consolidated basis, to absorb losses as a result of adverse economic conditions (supervisory stress tests). Section 165(i)(2) of the Dodd-Frank Act requires the Federal Reserve to issue regulations that require covered companies to conduct stress tests semiannually and require financial companies with total consolidated assets of more than \$10 billion that are not covered companies and for which the Federal Reserve is the primary federal financial regulatory agency to conduct stress tests on an annual basis (collectively, company-run stress tests).

On October 12, 2012, the Federal Reserve published a notice of final rulemaking implementing the stress testing requirements imposed by section 165(i). Under the final rules, the Federal Reserve would conduct an annual supervisory stress test of covered companies under three sets of scenarios, using data as of September 30 of each year as reported by covered companies, and publish a summary of the results of the supervisory stress tests in early April of the following year. In addition, the final rule required each covered company to conduct two company-run stress tests each year: (1) an “annual” company-run stress test using data as of September 30 of each year and the three scenarios provided by the Federal Reserve and (2) an

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<sup>2</sup> See 12 U.S.C. 5365(a)(1)(A).

<sup>3</sup> See 12 U.S.C. 5365(a)(1)(B). Under section 165(a)(1)(B) of the Dodd-Frank Act, the enhanced prudential standards must increase in stringency based on the considerations listed in section 165(b)(3).

<sup>4</sup> 12 U.S.C. 5365(a)(2).

additional company-run stress test using data as of March 31 of each year and three scenarios developed by the company. The final rule required each covered company to publish the summary of the results of its company-run stress tests within 90 days of submitting the results to the Federal Reserve.

On February 18, 2014, the Board published a notice of final rulemaking implementing risk management and liquidity standards for U.S. bank holding companies with total consolidated assets of \$50 billion or more and risk-based and leverage capital requirements, liquidity standards, risk management, and stress-test requirements for foreign banking organizations with total consolidated assets of \$50 billion or more, in accordance with section 165. The final rule also established a 15-to-1 debt-to-equity limit for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability. The amendments also establish risk-committee requirements and capital stress-testing requirements for certain bank holding companies and foreign banking organizations with total consolidated assets of \$10 billion or more.

### **Description of Information Collection**

The reporting requirements are found in section 252.156 (revised to section 252.16). The recordkeeping requirements are found in sections 252.146(c)(1) and 252.155(c) (revised to section 252.56(c)(1) and 252.15(c)). The disclosure requirements are found in sections 252.148 (revised to section 252.58). The Federal Reserve adopted these requirements to implement the stress test requirements for covered companies established in the Dodd-Frank Act. Compliance with the information collection is mandatory. No other federal law mandates these recordkeeping and disclosure requirements.

#### *Reporting Requirements*

Section 252.156 (revised to 252.16) requires state member banks with \$50 billion or more in total consolidated assets to report the results of the stress test to the Board by March 31 of each calendar year, unless that time is extended by the Board in writing. The report must include, under the baseline scenario, adverse scenario, and severely adverse scenario, a description of the types of risks being included in the stress test, a summary description of the methodologies used in the stress test, for each quarter of the planning horizon, estimates of aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and regulatory capital ratios; an explanation of the most significant causes for the changes in regulatory capital ratios; and any other information required by the Board. This requirement will remain applicable until such time as the Board issues a reporting form to collect the results of the stress test required under section 252.14.

#### *Recordkeeping Requirements*

Section 252.146(c)(1) (revised to section 252.56(c)(1)) requires that each covered company must establish and maintain a system of controls, oversight, and documentation, including policies and procedures, that are designed to ensure that its stress testing processes are effective in meeting the requirements in Subpart F. These policies and procedures must, at a

minimum, describe the covered company's stress testing practices and methodologies, and processes for validating and updating the covered institution's stress test practices and methodologies consistent with applicable laws, regulations, and supervisory guidance. Policies of covered companies must describe processes for scenario development for the mid-cycle stress test required under section 252.55.

Section 252.155(c) (revised to section 252.15(c)) requires that each bank holding company, savings and loan holding company, or state member bank must establish and maintain a system of controls, oversight, and documentation, including policies and procedures, that are designed to ensure that its stress testing processes are effective in meeting the requirements in Subpart B. These policies and procedures must, at a minimum, describe the company's stress testing practices and methodologies, and processes for validating and updating the company's stress test practices and methodologies consistent with applicable laws, regulations, and supervisory guidance.

### *Disclosure Requirements*

Section 252.148 (revised to section 252.58) requires a covered company to publish a summary of the results of the stress test required under section 252.54 in the period beginning on March 15 and ending on March 31, unless that time is extended by the Federal Reserve in writing. A covered company must also publish a summary of the results of the stress test required under section 252.55 in the period beginning on September 15 and ending on September 30, unless that time is extended by the Federal Reserve in writing. The information disclosed by each covered company, at a minimum, include the following information regarding the severely adverse scenario: (1) a description of the types of risks being included in the stress test; (2) a general description of the methodologies used in the stress test, including those employed to estimate losses, revenues, provision for loan and lease losses, and changes in capital positions over the planning horizon; (3) estimates of pre-provision net revenue and other revenue; provisions for loan and lease losses, realized losses/gains on available-for-sale and held-to-maturity securities, trading and counterparty losses, and other losses or gains; net income before taxes; loan losses (dollar amount and as a percentage of average portfolio balance) in the aggregate and by subportfolio, including: domestic first-lien mortgages; domestic junior lien and home equity lines of credit; commercial and industrial loans; commercial real estate loans; credit cards; other consumer loans; and all other loans; and regulatory capital ratios and the tier 1 common ratio; (4) an explanation of the most significant causes for the changes in regulatory capital ratios and tier 1 common ratio; and (5) with respect to a stress test conducted by an insured depository institution subsidiary of the covered company pursuant to subpart B of this part 252, changes in regulatory capital ratios of the depository institution subsidiary over the planning horizon, including an explanation of the most significant causes for the changes in regulatory capital ratios.

### **Proposed Revisions**

The final rule contains requirements subject to the PRA. There are no required reporting forms associated with the information collection. Compliance with the information collection is mandatory, and no other federal law mandates the reporting, recordkeeping, and disclosure

requirements. The reporting requirements are found in sections 252.122(b)(1)(iii); 252.132(a), (b), and (d); 252.143(a), (b), and (c); 252.144(a), (b), and (d); 252.145(a); 252.146(c)(1)(iii); 252.153(a)(3); 252.153(c)(3); 252.153(d); 252.154(a), (b), and (c); 252.157(b); 252.158(c)(1); 252.158(c)(2); and 252.158(d)(1)(ii). The recordkeeping requirements are found in sections 252.34(e)(3), 252.34(f), 252.34(h), 252.35(a)(7), 252.153(e)(5), 252.156(e), 252.156(g), and 252.157(a)(7).<sup>5</sup> The disclosure requirements are found in section 252.153(e)(5). The reporting requirements in sections 252.153(b)(2) and 252.153(e)(5) will be addressed in a separate *Federal Register* notice at a later date.

### *Reporting Requirements*

Section 252.122(b)(1)(iii) would require a foreign banking organization with total consolidated assets of more than \$10 billion but less than \$50 billion or a foreign savings and loan holding company with total consolidated assets of \$10 billion or more to conduct a stress test of its U.S. subsidiaries and report a summary of the results of the stress test to the Federal Reserve if it does not meet the home-country stress testing standards set forth in the rule.

Section 252.132(a) would require a foreign banking organization with a class of stock (or similar interest) that is publicly traded and total consolidated assets of at least \$10 billion but less than \$50 billion, to, on an annual basis, certify to the Federal Reserve that it maintains a committee of its global Federal Reserve of directors (or equivalent thereof), on a standalone basis or as part of its enterprise-wide risk committee (or equivalent thereof) that (1) oversees the risk management policies of the combined U.S. operations of the foreign banking organization and (2) includes at least one member having experience in identifying, assessing, and managing risk exposures of large, complex firms.

Section 252.132(b) would require the certification to be filed on an annual basis with the Federal Reserve concurrently with the Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0297).

Section 252.132(d) would require that if a foreign banking organization subject to section 252.132(a) does not satisfy the U.S. risk committee requirements of the section, the Federal Reserve may impose requirements, conditions, or restrictions relating to the activities or business operations of the combined U.S. operations of the foreign banking organization. If the Federal Reserve determines to impose one or more requirements, conditions, or restrictions, the Federal Reserve will notify the company before it applies any requirement, condition or restriction, and describe the basis for imposing such requirement, condition, or restriction. Within 14 calendar days of receipt of a notification under this paragraph, the company may request in writing that the Federal Reserve reconsider the requirement, condition, or restriction. The Federal Reserve will respond in writing to the company's request for reconsideration prior to applying the requirement, condition, or restriction.

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<sup>5</sup> Most of the recordkeeping requirements for Subpart D pertaining to the Liquidity Requirements have been addressed in the Funding and Liquidity Risk Management Guidance (FR 4198; OMB No. 7100-0326). Only new recordkeeping requirements are being addressed with the final rule.

Section 252.143(a) would require a foreign banking organization with total consolidated assets of \$50 billion or more and combined U.S. assets of less than \$50 billion to certify to the Federal Reserve that it meets capital adequacy standards on a consolidated basis established by its home-country supervisor that are consistent with the regulatory capital framework published by the Basel Committee on Banking Supervision, as amended from time to time (Basel Capital Framework). In the event that a home-country supervisor has not established capital adequacy standards that are consistent with the Basel Capital Framework, the foreign banking organization must demonstrate to the satisfaction of the Federal Reserve that it would meet or exceed capital adequacy standards on a consolidated basis that are consistent with the Basel Capital Framework were it subject to such standards.

Section 252.143(b) would require a foreign banking organization with total consolidated assets of \$50 billion or more to provide to the Federal Reserve reports relating to its compliance with the capital adequacy measures concurrently with filing the Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q; OMB No. 7100-0125).

Section 252.143(c) would require that, if a foreign banking organization subject to section 252.143(a) does not satisfy the home country capital requirements of the section, the Federal Reserve may impose requirements, conditions, or restrictions, including risk-based or leverage capital requirements, relating to the activities or business operations of the U.S. operations of the foreign banking organization. If the Federal Reserve determines to impose one or more requirements, conditions, or restrictions, the Federal Reserve will notify the company before it applies any requirement, condition or restriction, and describe the basis for imposing such requirement, condition, or restriction. Within 14 calendar days of receipt of a notification under this paragraph, the company may request in writing that the Federal Reserve reconsider the requirement, condition, or restriction. The Federal Reserve will respond in writing to the company's request for reconsideration prior to applying the requirement, condition, or restriction.

Section 252.144(a) would require a foreign banking organization with total consolidated assets of \$50 billion or more and combined U.S. assets of less than \$50 billion to, on an annual basis, certify to the Federal Reserve that it maintains a committee of its global Federal Reserve of directors (or equivalent thereof), on a standalone basis or as part of its enterprise-wide risk committee (or equivalent thereof) that (1) oversees the risk management policies of the combined U.S. operations of the foreign banking organization and (2) includes at least one member having experience in identifying, assessing, and managing risk exposures of large, complex firms.

Section 252.144(b) would require the certification to be filed on an annual basis with the Federal Reserve concurrently with its FR Y-7.

Section 252.144(d) would require that if a foreign banking organization subject to 252.144(a) does not satisfy the risk committee requirements of the section, the Federal Reserve may impose requirements, conditions, or restrictions relating to the activities or business operations of the combined U.S. operations of the foreign banking organization. If the Federal Reserve determines to impose one or more requirements, conditions, or restrictions under this

paragraph, the Federal Reserve would notify the company before it applies any requirement, condition, or restriction, and describe the basis for imposing such requirement, condition, or restriction. Within 14 calendar days of receipt of a notification under this paragraph, the company may request in writing that the Federal Reserve reconsider the requirement, condition, or restriction. The Federal Reserve would respond in writing to the company's request for reconsideration prior to applying the requirement, condition, or restriction.

Section 252.145(a) would require a foreign banking organization with total consolidated assets of \$50 billion or more and combined U.S. assets of less than \$50 billion to report to the Federal Reserve on an annual basis the results of an internal liquidity stress test for either the consolidated operations of the foreign banking organization or the combined U.S. operations of the foreign banking organization.

Section 252.146(c)(1)(iii) would require a foreign banking organization with total consolidated assets of more than \$50 billion but combined U.S. assets of less than \$50 billion to conduct a stress test of its U.S. subsidiaries and report a summary of the results of the stress test to the Federal Reserve if it does not meet the home-country stress testing standards set forth in the rule.

Section 252.153(a)(3) would require that within 30 days of establishing or designating a U.S. intermediate holding company, a foreign banking organization with U.S. non-branch assets of \$50 billion or more would provide to the Federal Reserve (1) a description of the U.S. intermediate holding company, including its name, location, corporate form, and organizational structure; (2) a certification that the U.S. intermediate holding company meets the requirements of this subpart; and (3) any other information that the Federal Reserve determines is appropriate.

Section 252.153(c)(3) would require a foreign banking organization with U.S. non-branch assets of \$50 billion or more that seeks to use an alternative organizational structure submit a request to the Federal Reserve 180 days before the foreign banking organization forms a U.S. intermediate holding company. The request must include a description of why the request should be granted and any other information the Federal Reserve may require.

Section 252.153(d)<sup>6</sup> would require a foreign banking organization that, as of June 30, 2014, has U.S. non-branch assets of \$50 billion or more, as calculated according to section 252.152(b), to, by January 1, 2015, submit to the Federal Reserve an implementation plan, unless that time is accelerated or extended by the Federal Reserve. An implementation plan must contain (1) a list of all U.S. subsidiaries controlled by the foreign banking organization setting forth the ownership interest in each subsidiary and an organizational chart showing the ownership hierarchy; (2) for each U.S. subsidiary that is a section 2(h)(2) company or a debts previously contracted in good faith (DPC) branch subsidiary, the name, asset size, and a description of why the U.S. subsidiary qualifies as a section 2(h)(2) or a DPC branch subsidiary; (3) for each U.S. subsidiary for which the foreign banking organization expects to request an exemption from the requirement to transfer all or a portion of its ownership interest in the

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<sup>6</sup> This reporting requirement was added in response to a public comment received asking for further clarity on the requirements and process for foreign banking organizations to re-organize its U.S. legal entities under one intermediate holding company.

subsidiary to the U.S. intermediate holding company, the name, asset size, and a description of the reasons why the foreign banking organization intends to request that the Federal Reserve grant it an exemption from the U.S. intermediate holding company requirement; (4) a projected timeline for the transfer by the foreign banking organization of its ownership interest in U.S. subsidiaries to the U.S. intermediate holding company, and quarterly pro forma financial statements for the U.S. intermediate holding company, including pro forma regulatory capital ratios, beginning December 31, 2015, to January 1, 2018; (5) a projected timeline for, and description of, all planned capital actions or strategies for capital accretion that will facilitate the U.S. intermediate holding company's compliance with the risk-based and leverage capital requirements set forth in paragraph (e)(2) of this section; (6) a description of the risk-management practices of the combined U.S. operations of the foreign banking organization and a description of how the foreign banking organization and U.S. intermediate holding company will come into compliance with the final rule's requirements; and (7) a description of the current liquidity stress testing practices of the U.S. operations of the foreign banking organization and a description of how the foreign banking organization and U.S. intermediate holding company will come into compliance with the final rule's requirements. If a foreign banking organization plans to reduce its U.S. non-branch assets below \$50 billion for four consecutive quarters prior to July 1, 2016, the foreign banking organization may submit a plan that describes how it intends to reduce its U.S. non-branch assets below \$50 billion and any other information the Federal Reserve determines is appropriate. The Federal Reserve may require a foreign banking organization that meets or exceeds the threshold for application of this section after June 30, 2014, to submit an implementation plan containing the information described above if the Federal Reserve determines that an implementation plan is appropriate.

Section 252.154(a) would require a foreign banking organization with total consolidated assets of \$50 billion or more and combined U.S. assets of \$50 billion or more to certify to the Federal Reserve that it meets capital adequacy standards on a consolidated basis established by its home-country supervisor that are consistent with the regulatory capital framework published by the Basel Committee on Banking Supervision, as amended from time to time (Basel Capital Framework). Home country capital adequacy standards that are consistent with the Basel Capital Framework include all minimum risk-based capital ratios, any minimum leverage ratio, and all restrictions based on any applicable capital buffers set forth in "Basel III: A global regulatory framework for more resilient banks and banking systems" (2010) (Basel III Accord), each as applicable and as implemented in accordance with the Basel III Accord, including any transitional provisions set forth therein. In the event that a home-country supervisor has not established capital adequacy standards that are consistent with the Basel Capital Framework, the foreign banking organization must demonstrate to the satisfaction of the Federal Reserve that it would meet or exceed capital adequacy standards at the consolidated level that are consistent with the Basel Capital Framework were it subject to such standards.

Section 252.154(b) would require a foreign banking organization with total consolidated assets of \$50 billion or more to provide to the Federal Reserve reports relating to its compliance with the capital adequacy measures concurrently with filing the FR Y-7Q.

Section 252.154(c) would require that if a foreign banking organization does not satisfy the requirements of the section, the Federal Reserve may impose requirements, conditions, or

restrictions relating to the activities or business operations of the U.S. operations of the foreign banking organization. If the Federal Reserve determines to impose one or more requirements, conditions, or restrictions, the Federal Reserve would notify the company before it applies any requirement, condition or restriction, and describe the basis for imposing such requirement, condition, or restriction. Within 14 calendar days of receipt of a notification under this paragraph, the company may request in writing that the Federal Reserve reconsider the requirement, condition, or restriction. The Federal Reserve would respond in writing to the company's request for reconsideration prior to applying the requirement, condition, or restriction.

Section 252.157(b) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to make available to the Federal Reserve, in a timely manner, the results of any liquidity internal stress tests and establishment of liquidity buffers required by regulators in its home jurisdiction. The report required under this paragraph must include the results of its liquidity stress test and liquidity buffer, if required by the laws or regulations implemented in the home jurisdiction, or expected under supervisory guidance.

Section 252.158(c)(1) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to report to the Federal Reserve by January 5 of each calendar year summary information about its stress-testing activities and results, including the following quantitative and qualitative information (1) a description of the types of risks included in the stress test; (2) a description of the conditions or scenarios used in the stress test; (3) a summary description of the methodologies used in the stress test; (4) estimates of (a) aggregate losses, (b) pre-provision net revenue, (c) total loan loss provisions, (d) net income before taxes, and (e) pro forma regulatory capital ratios required to be computed by the home-country supervisor of the foreign banking organization and any other relevant capital ratios; and (5) an explanation of the most significant causes for any changes in regulatory capital ratios.

Section 252.158(c)(2) would require that if, on a net basis, the U.S. branches and agencies of a foreign banking organization with combined U.S. assets of \$50 billion or more provide funding to the foreign banking organization's non-U.S. offices and non-U.S. affiliates, calculated as the average daily position over a stress test cycle for a given year, the foreign banking organization must report the following information to the Federal Reserve by January 5 of each calendar year: (1) a detailed description of the methodologies used in the stress test, including those employed to estimate losses, revenues, and changes in capital positions; (2) estimates of realized losses or gains on available-for-sale and held-to-maturity securities, trading and counterparty losses, if applicable; and loan losses (dollar amount and as a percentage of average portfolio balance) in the aggregate and by material sub-portfolio; and (3) any additional information that the Federal Reserve requests.

Section 252.158(d)(1)(ii) would require a foreign banking organization with combined U.S. assets of \$50 billion or more that has not formed an IHC and that does not meet the home-country stress testing standards set forth in the rule to conduct an annual stress test of its U.S. subsidiaries to determine whether those subsidiaries have the capital necessary to absorb losses as a result of adverse economic conditions and report on an annual basis a summary of the results of that stress test of this section to the Federal Reserve that includes the qualitative and

quantitative information required for home country supervisory stress and any other information specified by the Federal Reserve.

### *Recordkeeping Requirements*

Section 252.34(e)(3) would require a bank holding company with total consolidated assets of \$50 billion or more to adequately document its methodology for making cash flow projections and the included assumptions and submit such documentation to the risk committee.

Section 252.34(f) would require a bank holding company with total consolidated assets of \$50 billion or more to establish and maintain a contingency funding plan that sets out the company's strategies for addressing liquidity needs during liquidity stress events. The contingency funding plan must be commensurate with the company's capital structure, risk profile, complexity, activities, size, and established liquidity risk tolerance. The company must update the contingency funding plan at least annually, and when changes to market and idiosyncratic conditions warrant. The contingency funding plan must include specified quantitative elements, an event management process that sets out the bank holding company's procedures for managing liquidity during identified liquidity stress events, and procedures for monitoring emerging liquidity stress events. The procedures must identify early warning indicators that are tailored to the company's capital structure, risk profile, complexity, activities, and size.

Section 252.34(h)(1) would require a bank holding company with total consolidated assets of \$50 billion or more to establish and maintain policies and procedures to monitor assets that have been, or are available to be, pledged as collateral in connection with transactions to which it or its affiliates are counterparties and sets forth minimum standards for those procedures.

Section 252.34(h)(2) would require a bank holding company with total consolidated assets of \$50 billion or more to establish and maintain procedures for monitoring and controlling liquidity risk exposures and funding needs within and across significant legal entities, currencies, and business lines, taking into account legal and regulatory restrictions on the transfer of liquidity between legal entities.

Section 252.34(h)(3) would require a bank holding company with total consolidated assets of \$50 billion or more to establish and maintain procedures for monitoring intraday liquidity risk exposure. These procedures must address how the management of the bank holding company will (1) monitor and measure expected daily gross liquidity inflows and outflows, (2) manage and transfer collateral to obtain intraday credit, (3) identify and prioritize time-specific obligations so that the bank holding company can meet these obligations as expected and settle less critical obligations as soon as possible, (4) control the issuance of credit to customers where necessary, and (5) consider the amounts of collateral and liquidity needed to meet payment systems obligations when assessing the bank holding company's overall liquidity needs.

Section 252.35(a)(7) would require a bank holding company with total consolidated assets of \$50 billion or more to establish and maintain policies and procedures governing its liquidity stress testing practices, methodologies, and assumptions that provide for the incorporation of the results of liquidity stress tests in future stress testing and for the enhancement of stress testing practices over time. The bank holding company would establish and maintain a system of controls and oversight that is designed to ensure that its liquidity stress testing processes are effective in meeting the final rule's stress testing requirements. The bank holding company would maintain management information systems and data processes sufficient to enable it to effectively and reliably collect, sort, and aggregate data and other information related to liquidity stress testing.

Section 252.156(e) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to establish and maintain a contingency funding plan for its combined U.S. operations that sets out the foreign banking organization's strategies for addressing liquidity needs during liquidity stress events. The contingency funding plan must be commensurate with the capital structure, risk profile, complexity, activities, size, and the established liquidity risk tolerance for the combined U.S. operations. The foreign banking organization must update the contingency funding plan for its combined U.S. operations at least annually, and when changes to market and idiosyncratic conditions warrant. The contingency funding plan must include specified quantitative elements. The contingency funding plan for a foreign banking organization's combined U.S. operations must include an event management process that sets out the foreign banking organization's procedures for managing liquidity during identified liquidity stress events for the combined U.S. operations as set forth in the final rule. The contingency funding plan must include procedures for monitoring emerging liquidity stress events. The procedures must identify early warning indicators that are tailored to the capital structure, risk profile, complexity, activities, and size of the foreign banking organization and its combined U.S. operations.

Section 252.156(g)(1) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to establish and maintain policies and procedures to monitor assets that have been or are available to be pledged as collateral in connection with transactions to which entities in its U.S. operations are counterparties. These policies and procedures must provide that the foreign banking organization (1) calculates all of the collateral positions for its combined U.S. operations on a weekly basis (or more frequently, as directed by the Federal Reserve), specifying the value of pledged assets relative to the amount of security required under the relevant contracts and the value of unencumbered assets available to be pledged, (2) monitors the levels of unencumbered assets available to be pledged by legal entity, jurisdiction, and currency exposure, (3) monitors shifts in the foreign banking organization's funding patterns, including shifts between intraday, overnight, and term pledging of collateral, and (4) tracks operational and timing requirements associated with accessing collateral at its physical location (for example, the custodian or securities settlement system that holds the collateral).

Section 252.156(g)(2) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to establish and maintain procedures for monitoring and controlling liquidity risk exposures and funding needs within and across significant legal entities, currencies,

and business lines for its combined U.S. operations, taking into account legal and regulatory restrictions on the transfer of liquidity between legal entities.

Section 252.156(g)(3) would require a foreign banking organization with combined U.S. assets of \$50 billion or more to establish and maintain procedures for monitoring intraday liquidity risk exposure for its combined U.S. operations. These procedures must address how the management of the combined U.S. operations will (1) monitor and measure expected daily inflows and outflows, (2) maintain, manage and transfer collateral to obtain intraday credit, (3) identify and prioritize time-specific obligations so that the foreign banking organizations can meet these obligations as expected and settle less critical obligations as soon as possible, (4) control the issuance of credit to customers where necessary, and (5) consider the amounts of collateral and liquidity needed to meet payment systems obligations when assessing the overall liquidity needs of the combined U.S. operations.

Section 252.157(a)(7) would require a foreign banking organization with combined U.S. assets of \$50 billion or more, within its combined U.S. operations and its enterprise-wide risk management, to establish and maintain policies and procedures governing its liquidity stress testing practices, methodologies, and assumptions that provide for the incorporation of the results of liquidity stress tests in future stress testing and for the enhancement of stress testing practices over time. The foreign banking organization must establish and maintain a system of controls and oversight that is designed to ensure that its liquidity stress testing processes are effective in meeting the requirements of this section. The foreign banking organization must maintain management information systems and data processes sufficient to enable it to effectively and reliably collect, sort, and aggregate data and other information related to the liquidity stress testing of its combined U.S. operations.

#### *Recordkeeping and Disclosure Requirements*

Section 252.153(e)(5) would require a U.S. intermediate holding company to comply with the requirements of subparts E and F of 12 CFR part 252 and any successor regulation in the same manner as a bank holding company.

#### *Other Changes*

The following subparts have been renumbered, no content has been changed. “Subpart F – Supervisory Stress Test Requirements for Covered Companies” is now “Subpart E – Supervisory Stress Test Requirements for U.S. Bank Holding Companies with \$50 Billion or More in Total Consolidated Assets and Nonbank Financial Companies Supervised by the Board.” “Subpart G – Company-Run Stress Test Requirements for Covered Companies” is now “Subpart F – Company-Run Stress Test Requirements for U.S. Bank Holding Companies with \$50 Billion or More in Total Consolidated Assets and Nonbank Financial Companies Supervised by the Board.” “Subpart H – Company-Run Stress Test Requirements for Banking Organizations With Total Consolidated Assets Over \$10 Billion That Are Not Covered Companies” is now “Subpart B – Company-Run Stress Test Requirements for Certain U.S. Banking Organizations with Total Consolidated Assets Over \$10 Billion and less than \$50 Billion.”

## **Time Schedule for Information Collection**

The information collection pursuant to the reporting requirements mandates that a state member banks with \$50 billion or more in total consolidated assets report the results of the stress test to the Board by March 31 of each calendar year. The information collection pursuant to the recordkeeping requirements is event-generated and must be maintained on sight. The information collection pursuant to the disclosure requirements mandates that a covered company publish a summary of the results of the stress test (1) in the period beginning on March 15 and ending on March 31 and (2) in the period beginning on September 15 and ending on September 30.

## **Legal Status**

The Board's Legal Division has determined that this information collection is required by sections 162, 165, 167, and 168 of the Dodd-Frank Act (12 U.S.C. § 5362, 5365, 5367, and 5368), section 9 of the Federal Reserve Act (12 U.S.C. § 321 - 338a), section 5(b) of the Bank Holding Company Act (12 U.S.C. § 1844(b)), section 10(g) of the Home Owners' Loan Act (12 U.S.C. § 1467a(g)), sections 8 and 39 of the Federal Deposit Insurance Act (12 U.S.C. § 1818(b) and 1831p-1), the International Banking Act (12 U.S.C. § 3101), and the Foreign Bank Supervision Enhancement Act (12 U.S.C. § 3101 note). The data are regarded as confidential under the Freedom of Information Act until the institution discloses certain information to the public (5 U.S.C. §§ 552(b)(4) and (b)(8)).

## **Consultation Outside the Agency**

The Federal Reserve invited comment on two separate proposals to implement the enhanced prudential standards included in the final rule. On January 5, 2012, the Federal Reserve invited comment on its domestic proposal (77 FR 594), and on December 28, 2012, the Federal Reserve invited comment its foreign proposal (77 FR 76628). The Federal Reserve received over 100 public comments on the domestic proposal, and over 60 public comments on the foreign proposal, from U.S. and foreign firms, public officials (including members of Congress), public interest groups, private individuals, and other interested parties. While many commenters expressed support for the broad goals of the proposed rules, some commenters criticized specific aspects of the proposals. The final rule makes adjustments to the proposed rules that respond to commenters' concerns. Major changes from the proposals are discussed in detail in the final rule. The Federal Reserve did not receive any specific comments on the PRA in response to the proposals; however, a number of commenters expressed general concern about the amount of burden. On March 27, 2014, the Federal Reserve published a notice of final rulemaking in the *Federal Register* (79 FR 17240) with a request for public comment on PRA estimates only. The comment period expired on May 27, 2014, and the final rule became effective on June 1, 2014. The Federal Reserve did not receive any comments on the PRA estimates in the final rule.

The Federal Reserve consulted with all Council members and member agencies, including those that primarily supervise a functionally regulated subsidiary or depository institution subsidiary of a bank holding company or foreign banking organization subject to the

proposals by providing periodic updates to agencies represented on the Council and their staff on the development of the final rule. The final rule reflects comments provided to the Federal Reserve as a part of this consultation process. The Council has not made any formal recommendations under section 115 of the Dodd-Frank Act to date.

### Estimate of Respondent Burden

The current annual burden for Reg YY is estimated to be 59,320 hours. The proposed reporting, recordkeeping, and disclosure requirements would increase the estimated annual burden hours by 59,226 hours as shown in the tables below. The Reg YY reporting, recordkeeping, and disclosure requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

<b>Reg YY</b>	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
<b>Initial Set-Up</b>				
Subpart G - Section 252.146c1 Recordkeeping	34	1	280	9,520
Subpart G - Section 252.148 Disclosure	34	2	200	13,600
Subpart H- Section 252.155c Recordkeeping	99	1	240	23,760
Subpart H - Section 252.156 Reporting	6	1	200	<u>1,200</u>
<i>Total Initial Set-Up</i>				48,080
<b>Ongoing</b>				
Subpart G - Section 252.146c1 Recordkeeping	34	1	40	1,360
Subpart G - Section 252.148 Disclosure	34	2	80	5,440
Subpart H- Section 252.155c Recordkeeping	99	1	40	3,960
Subpart H - Section 252.156 Reporting	6	1	80	<u>480</u>
<i>Total Ongoing</i>				11,240
<i>Total</i>				59,320

<b>Reg YY</b>	<i>Number of respondents<sup>7</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Proposed</b>				
<b>Initial Set-Up</b>				
Subpart B - Section 252.15c Recordkeeping	99	1	240	23,760
Subpart B - Section 252.16 Reporting	6	1	200	1,200
Subpart D - Sections 252.34e3, .34f, .34h, and .35a7 Recordkeeping	24	1	160	3,840
Subpart F - Section 252.56c1 Recordkeeping	34	1	280	9,520
Subpart F - Section 252.58 Disclosure	34	2	200	13,600
Subpart O - Section 252.153d Reporting	17	1	750	12,750
Subpart O - Section 252.153e5 Recordkeeping	17	1	280	4,760
Subpart O - Section 252.153e5 Disclosure	17	2	200	6,800
Subpart O - Section 252.156e, .156g, and .157a7 Recordkeeping	24	1	160	3,840
<i>Total Initial Set-Up</i>				80,070
<b>Ongoing</b>				
Subpart B - Section 252.15c Recordkeeping	99	1	40	3,960
Subpart B - Section 252.16 Reporting	6	1	80	480
Subpart D- Sections 252.34e3, .34f, .34h, and .35a7 Recordkeeping	24	1	200	4,800
Subpart F - Section 252.56c1 Recordkeeping	34	1	40	1,360
Subpart F - Section 252.58 Disclosure	34	2	80	5,440
Subpart L - Section 252.122b1iii Reporting	2	1	80	160

<sup>7</sup> Of these respondents, none 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/table-small-business-size-standards](http://www.sba.gov/content/table-small-business-size-standards).

Subpart M - Section 252.132a, b Reporting	8	1	1	8
Subpart M - Section 252.132d Reporting	2	1	10	20
Subpart N - Section 252.143a, b Reporting	102	1	1	102
Subpart N - Section 252.143c Reporting	2	1	10	20
Subpart N - Section 252.144a, b Reporting	102	1	1	102
Subpart N - Section 252.144d Reporting	2	1	10	20
Subpart N - Section 252.145a Reporting	102	1	50	5,100
Subpart N - Section 252.146c1iii Reporting	5	1	80	400
Subpart O - Section 252.153a3 Reporting	17	1	20	340
Subpart O - Section 252.153c3 Reporting	15	1	160	2,400
Subpart O - Section 252.153e5 Recordkeeping	17	1	40	680
Subpart O - Section 252.153e5 Disclosure	17	2	80	2,720
Subpart O - Section 252.154a, b Reporting	24	1	1	24
Subpart O - Section 252.154c Reporting	2	1	10	20
Subpart O - Section 252.156e, .156g, and .157a7 Recordkeeping	24	1	200	4,800
Subpart O - Section 252.157b Reporting	24	4	40	3,840
Subpart O - Section 252.158c1 Reporting	24	1	40	960
Subpart O - Section 252.158c2 Reporting	10	1	40	400
Subpart O - Section 252.158d1iii Reporting	4	1	80	320
<i>Total Ongoing</i>				38,476
<i>Total</i>				118,546
<i>Change</i>				59,226

The total cost to the public is estimated to increase from the current level of \$3,069,810 to \$6,134,756 for the revised Reg YY.<sup>8</sup>

### **Sensitive Questions**

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

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

The cost to the Federal Reserve System is negligible.

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<sup>8</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 \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, [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/).