

SUPPORTING STATEMENT
Recordkeeping for Timely Deposit Insurance Determination
(OMB Control No. 3064-NEW)

INTRODUCTION

The FDIC is requesting approval from the OMB to establish a new information collection comprised of reporting and recordkeeping requirements contained in a notice of proposed rulemaking on “Recordkeeping for Timely Deposit Insurance Determination” that would require insured depository institutions (“IDIs”) that have two million or more deposit accounts (“covered institutions”), for all deposit accounts: (1) to maintain complete and accurate data on each depositor’s ownership interest, by right and capacity; and (2) to develop the capability, using their information technology systems (“IT systems”), to calculate the insured and uninsured amounts for each deposit owner, by ownership right and capacity.

A. JUSTIFICATION

1. Circumstances and Need

Deposits have become more concentrated in large IDIs. From 2008 through 2014, the largest number of deposit accounts held at a single IDI increased 42 per cent, and the number of deposit accounts at the ten IDIs having the most deposit accounts increased 25 percent. The increased concentration of deposits is partly a function of the IDIs’ internal growth, but it is also attributable to acquisitions during this time period. As a result of this concentration, many IDIs are even more complex than before, resulting in greater potential for significant internal IT systems disparities as well as data accuracy and completeness problems. Larger institutions are generally more complex, have more deposit accounts, greater geographic dispersion, more diverse systems, and more data quality issues. Because the perception that FDIC could be delayed in making deposit insurance determinations in the event of the failure of an IDI could lead to bank runs or other systemic problems, the FDIC believes that improved strategies must be implemented to ensure prompt deposit insurance determinations upon the failure of an IDI with a large number of deposit accounts. The FDIC believes that requiring covered institutions to enhance their deposit account data and to upgrade their IT systems would address many of these issues. Under the proposed framework, the FDIC would be able to perform the deposit insurance determination on all or a significant subset of those covered institutions’ deposit accounts without the significant delay that could be occasioned by a data transfer to the FDIC.

2. Use of Information Collected

The information collected under the proposed rule will be used by the FDIC to determine the amount of deposit insurance available to each depositor for each of his or her deposit accounts in the event of a covered institution’s failure. Much of this information is already collected by all IDIs under existing statutory or regulatory

requirements. The proposed rule would impose a new information collection requirement to the extent that covered institutions don't presently collect information from depositors that is needed by the FDIC to make a deposit insurance determination, and to the extent that covered institutions would need to keep their deposit records in a format that is accessible by the FDIC, using a covered institution's IT system, in the event of a covered institution's failure. Such information may include identifying information for beneficial owners of deposits held in the name of an agent at a covered institution, and identifying information for beneficiaries of trust accounts.

The FDIC would also collect from each covered institution, on an annual basis, a certification that the covered institution is in compliance with the proposed rule's requirements as well as a summary deposit insurance coverage report. Alternatively, the FDIC would collect an application for relief from the proposed rule's requirements, which would include information that substantiates the covered institution's inability to comply.

3. Use of Technology to Reduce Burden

Banks may use technology to the extent feasible and/or desirable or appropriate to make the required reports and to maintain the required records

4. Duplication of Information

The information that the FDIC would collect from covered institutions to verify compliance with the proposed rule's requirements, or that substantiates a covered institution's relief from compliance, is not available by other means. The reporting and recordkeeping requirements in the proposed rule are new and are not otherwise duplicated.

5. Minimizing the Burden on Small Banks

The rule will not impact small banks. By definition, a covered institution is an IDI that has two million or more deposit accounts. None of the potential covered institutions would be a small bank.

6. Consequences of Less Frequent Collection

Less frequent collection of such information could result in a greater likelihood that information would be incorrect and therefore useless to the FDIC should it need to make a deposit insurance determination in the event of a covered institution's failure. If this information were collected less frequently, then the FDIC would have a lower level of confidence that a covered institution maintains accurate and complete deposit records and an IT system that would facilitate the FDIC's timely deposit insurance determination process upon the covered institution's failure.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The FDIC published an Advanced Notice of Proposed Rulemaking in the Federal Register seeking comment on such a new regulatory requirement on April 28, 2015 (80 Fed. Reg. 23478). The FDIC received ten comment letters from trade associations, banks, a law firm, companies which provide related bank services, and individuals. FDIC staff also participated in meetings and conference calls with financial services industry representatives. The FDIC considered these comments during its development of the proposed rule and seeks further comment through issuance of the NPR.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

Information will be kept private to the extent allowed by law.

11. Information of a Sensitive Nature

The NPR would require covered institutions to ensure that their deposit records contain sufficient information to identify owners of deposits. Such information would include personal and sensitive information such as the owner's social security number, among other things. To the extent that a covered institution does not have that information, it would be required by the NPR to obtain it.

The information that covered institutions would need to provide to the FDIC to demonstrate compliance with the NPR's requirements would be aggregated in a summary report and is not expected to be sensitive in nature.

12. Estimate of Hour Burden and Annual Costs

The estimated burden for the respondents for implementing the collection of information is 3,131,262 hours. The estimated ongoing annual burden for the respondents is 53,495 hours. The total estimated burden in the first year is 3,184,757 hours. There is no current reporting burden.

Table 1: Implementation Burden

	<i>Number of respondents¹</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response²</i>	<i>Estimated total annual burden hours</i>
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1 None of the respondents required to comply with the rule are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets).

Current

No current requirements	0	0	0	0
<i>Current Total</i>				<i>0</i>

Proposed

Lowest Complexity Institutions	12	1	19,857	238,281
Middle Complexity Institutions	12	1	32,789	393,473
Highest Complexity Institutions	12	1	208,292	2,499,508

<i>Proposed Total</i>	36	1	86,979	3,131,262
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<i>Change</i>				3,131,262
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² Rounded to the nearest hour.

Table 2: Ongoing Annual Burden

	<i>Number of respondents³</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response⁴</i>	<i>Estimated total annual burden hours</i>
<i>Current</i>				
No current requirements	0	0	0	0
<i>Current Total</i>				0
<i>Proposed</i>				
Lowest Complexity Institutions	12	1	1,460	17,526
Middle Complexity Institutions	12	1	1,456	17,475
Highest Complexity Institutions	12	1	1,541	18,494
<i>Proposed Ongoing Annual Burden</i>	36	1	1,486	53,495
<i>Change</i>				53,495

13. Capital, Start-Up and Maintenance Costs

Estimated implementation costs for the respondents are \$319.2 million. Ongoing reporting costs for the respondents are estimated to be \$8.6 million per year.

14. Estimated Annual Cost to the Federal Government

Should the proposed rule be adopted, the FDIC would begin actively supervising covered institutions for compliance two years after the effective date. The current annual cost to the FDIC related to ensuring compliance is estimated to be \$4.325 million. This amount includes the cost of reviewing covered institutions' filings and conducting on-site testing. A covered institution would be required to certify annually that its IT system is capable of calculating deposit insurance available on deposit accounts. It would need to provide an attestation letter signed by its Board of Directors along with a deposit insurance coverage summary report. The total costs for the FDIC associated with review of these annual filings are estimated to be approximately \$525,000. The FDIC would also perform an on-site visit annually in order to validate compliance. Once compliance has been confirmed, the FDIC would schedule on-site visits less frequently unless there is a material change to a covered institution's IT system, deposit-taking operations or financial condition. The on-site visit also encompasses other IT reviews and capability validations, so the added costs associated with the proposed rule would be low. The FDIC estimates that total costs associated with the annual on-site testing would be \$3.8 million. The costs could be reduced by scheduling less frequent compliance visits if the covered

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⁴ Rounded to the nearest hour.

institution has been found by the FDIC to be fully compliant and by combining reviews with ongoing supervisory examinations.

15. Reason for Change in Burden

New recordkeeping and reporting requirements contained in regulation.

16. Publication.

Not applicable.

17. Display of Expiration Dates

The OMB Control Number and expiration date for this collection of information will be displayed when the Final Rule is published in the *Federal Register*.

18. Exceptions to Certification

None.

B. Collection of Information Employing Statistical Methods

Not applicable.