Supporting Statement for the
Financial Statements for Holding Companies
(FR Y-9 family of reports; OMB No. 7100-0128)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the mandatory Consolidated Financial Statements for Holding Companies (FR Y-9C) (OMB No. 7100-0128) effective September 30, 2016, and March 31, 2017.

The Board also proposes to extend, without revision, the other forms that make up the family of FR Y-9 reporting forms. These are:

1) The Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP),
2) The Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP),
3) The Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and
4) The Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

Pursuant to the Bank Holding Company Act of 1956, as amended, and the Home Owners' Loan Act (HOLA), the Federal Reserve requires bank holding companies (BHCs), savings and loan holding companies (SLHCs), securities holding companies (SHCs), and U.S Intermediate Holding Companies (IHCs) (collectively "holding companies" (HCs)) to provide standardized financial statements to fulfill the Federal Reserve's statutory obligation to supervise these organizations. HCs file the FR Y-9C and FR Y-9LP quarterly, the FR Y-9SP semiannually, the FR Y-9ES annually, and the FR Y-9CS on a schedule that is determined when this supplement is used.

The Federal Reserve proposed to implement a number of revisions to the FR Y-9C, most of which are consistent with proposed changes to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 and FFIEC 041; OMB No. 7100-0036). The proposed revisions include deletions of existing data items, increases in existing thresholds for certain data items, one instructional revision, and the addition of new and revised data items effective September 30, 2016, and March 31, 2017.

A copy of selected pages of the proposed reporting forms and instructions, marked to show the revisions, is provided in the attachment. The total current annual paperwork burden for the FR Y-9 family of reports is estimated to be 197,372 hours and, as a result of the proposed changes to the FR Y-9C, is estimated to decrease by 1,787 hours for a proposed annual paperwork burden of 195,585 hours.

Background and Justification

The FR Y-9C, FR Y-9LP, and FR Y 9SP serve as standardized financial statements for the consolidated HC and its parent; the FR Y-9ES is a financial statement for HCs that are Employee Stock Ownership Plans (ESOPs). The Board also has the authority to use the FR Y-9CS (a free-form supplement) to collect additional information deemed to be (1) critical and (2) needed in an expedited manner.

The FR Y-9 family of reporting forms continues to be the primary source of financial data on HCs that examiners rely on in the intervals between on-site inspections. Financial data from these reporting forms are used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate HC mergers and acquisitions, and to analyze an HC's overall financial condition to ensure the safety and soundness of its operations.

Description of Information Collection

The FR Y-9C consists of standardized financial statements similar to the Call Reports filed by commercial banks. It collects consolidated data from HCs and is filed by top-tier HCs with total consolidated assets of $1 billion or more.[1]

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each HC that files the FR Y-9C. In addition, for tiered HCs, a separate FR Y-9LP must be filed for each lower-tier HC.

The FR Y-9SP is a parent company only financial statement filed by smaller HCs. Respondents include HCs with total consolidated assets of less than $1 billion. This form is a simplified or abbreviated version of the FR Y-9LP. This report is designed to obtain basic balance sheet and income data for the parent company, data on intangible assets, and data on intercompany transactions.

The FR Y-9ES collects financial data from ESOPs that are also HCs on their benefit plan activities. It consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The FR Y-9CS is a supplemental report that the Federal Reserve may utilize to collect additional data deemed to be critical and needed in an expedited manner from HCs. The data are used to assess and monitor emerging issues related to HCs and is intended to supplement the other FR Y-9 reports, which are used to monitor HCs between on-site inspections. The data items included on the FR Y-9CS may change as needed.

[1] Under certain circumstances described in the General Instructions, HCs with assets under $1 billion may be required to file the FR Y-9C.

Proposed FR Y-9C Revisions

The Federal Reserve proposes to implement a number of revisions to the FR Y-9C reporting requirements in September 2016 and March 2017. All of these proposed changes except for those related to Schedule HC-I are consistent with proposed changes to the Call Reports. The proposed changes are:

- Deletions of certain existing data items pertaining to other-than-temporary impairments from Schedule HI, Income Statement; troubled debt restructurings from Schedule HC-C, Loans and Leases, and Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets; loans covered by Federal Deposit Insurance Corporation (FDIC) loss-sharing agreements from Schedule HC-M, Memoranda, and Schedule HC-N; and unused commitments to asset-backed commercial paper conduits with an original maturity of one year or less in Schedule HC-R, Part II, Risk-Weighted Assets,
- Increases and additions to reporting thresholds for certain data items in four FR Y-9C schedules,
- An instructional revision addressing the reporting of net gains (losses) and other-than-temporary impairments on equity securities that do not have readily determinable fair values in Schedule HI,
- New and revised data items, including increasing the time deposit size threshold in Schedule HC-E, Deposit Liabilities, and Schedule HI from $100,000 to $250,000,
- Moving the existing Memorandum items for the fair value and unpaid principal balance of loans (not held for trading) from Schedule HC-C to Schedule HC-Q, and
- Eliminating the concept of extraordinary items and revising affected data items in Schedule HI.

Discussion of FR Y-9C Revisions

A. Deletions of Existing Data Items

Based on the Federal Reserve's review of the information that holding companies are required to report in the FR Y-9C, the Federal Reserve has determined that the continued collection of the following items is no longer necessary and is eliminating them effective September 30, 2016, except for the deletion relating to other-than-temporary impairments, which will take effect March 31, 2017.

1) Schedule HI, Memorandum items 17(a) and 17(b), other-than-temporary impairments,[2]
2) Schedule HC-C, Memorandum items 1(f)(2), 1(f)(5), and 1(f)(6) on troubled debt restructurings in certain loan categories that are in compliance with their modified terms,

[2] Institutions would continue to complete Schedule HI, Memorandum item 17(c), on net impairment losses recognized in earnings.

3) Schedule HC-N, Memorandum items 1(f)(2), 1(f)(5), and 1(f)(6) on troubled debt restructurings in certain loan categories that are 30 days or more past due or on nonaccrual,
4) Schedule HC-M, items 6(a)(5)(a) through (d) on loans in certain loan categories that are covered by FDIC loss-sharing agreements, and
5) Schedule HC-N, items 12(e)(1) through (4) on loans in certain loan categories that are covered by FDIC loss-sharing agreements and are 30 days or more past due or on nonaccrual.

B. New Reporting Threshold and Increases in Existing Reporting Thresholds

In three FR Y-9C schedules, holding companies are currently required to itemize and describe each component of an existing item when the component exceeds both a specified percentage of the item and a specified dollar amount. Based on a preliminary evaluation of the existing reporting thresholds, the Federal Reserve has concluded that the dollar portion of the thresholds that currently apply to these items can be increased to provide a reduction in reporting burden without a loss of data that would be necessary for supervisory or other public policy purposes. The percentage portion of the existing thresholds would not be changed. Accordingly, the Federal Reserve proposes to raise from $25,000 to $100,000 the dollar portion of the threshold for itemizing and describing components of:

1) Schedule HI, memo item 6, “Other noninterest income,”
2) Schedule HI, memo item 7, “Other noninterest expense,”
3) Schedule HC-Q, Memorandum item 1, “All other assets,” and
4) Schedule HC-Q, Memorandum item 2, “All other liabilities.”

To reduce burden, the Federal Reserve also proposes to raise from $25,000 to $1,000,000 the dollar portion of the threshold for itemizing and describing components of “Other trading assets” and “Other trading liabilities” in Schedule HC-D, Memorandum items 9(b) and 10.

Based on the Federal Reserve’s review of items reported on Schedule HC-I, Insurance-Related Underwriting Activities (Including Reinsurance), the Federal Reserve proposes that a $10,000,000 threshold be added to provide a reduction in reporting burden for reinsurance recoverables reported on Schedule HC-I, Part I line item 1 and HC-I, Part II line item 1 due to the limited activity and immateriality on these line items. Reporting of these data items would be determined as of the end of each quarter.

C. Instructional Revision

Net Gains (Losses) on Sales of, and Other-Than-Temporary Impairments on, Equity Securities That Do Not Have Readily Determinable Fair Values.

Holding companies report investments in equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply) in Schedule HC-F, item 4, and on the FR Y-9C balance sheet in Schedule HC, item 11, “Other assets.” If such equity securities are held for trading, they are reported in Schedule HC, item 5 and in Schedule HC-D, item 9 and Memorandum item 7.b, if applicable. In contrast, investments in equity securities with readily determinable fair values that are not held for trading are reported as available-for-sale securities in Schedule HC, item 2(b), and in Schedule HC-B, item 7, whereas those held for trading are reported in Schedule HC, item 5, and in Schedule HC-D, item 9 and Memorandum item 7(a), if applicable.

In general, investments in equity securities that do not have readily determinable fair values are accounted for in accordance with ASC Subtopic 325-20, Investments-Other – Cost Method Investments (formerly Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock"), but are subject to the impairment guidance in ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments").

The FR Y-9C instructions for Schedule HI, Income Statement, address the reporting of realized gains (losses), including other-than-temporary impairments, on held-to-maturity and available-for-sale securities as well as the reporting of realized and unrealized gains (losses) on trading securities and other assets held for trading. However, the Schedule HI instructions do not specifically explain where to report realized gains (losses) on sales or other disposals of, and other-than-temporary impairments on, equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply).

The instructions for Schedule HI, item 5.k, "Net gains (losses) on sales of other assets (excluding securities)," direct holding companies to "report the amount of net gains (losses) on sales and other disposals of assets not required to be reported elsewhere in the income statement (Schedule HI)." The instructions for item 5(k) further advise holding companies to exclude net gains (losses) on sales and other disposals of securities and trading assets. The intent of this wording was to cover securities designated as held-to-maturity, available-for-sale, and trading securities because there are separate specific items elsewhere in Schedule HI for the reporting of realized gains (losses) on such securities (items 6(a), 6(b), and 5(c), respectively).

Thus, the Federal Reserve will revise the instructions for Schedule HI, item 5(k), by clarifying that the exclusions from this item of net gains (losses) on securities and trading assets apply to held-to-maturity, available-for-sale, and trading securities and other assets held for trading. At the same time, the Federal Reserve is adding language to the instructions for Schedule HI, item 5(k), that explains that net gains (losses) on sales and other disposals of equity securities that do not have readily determinable fair values and are not held for trading (and to which the equity method of accounting does not apply), as well as other-than-temporary impairments on such securities, should be reported in item 5(k). In addition, the Federal Reserve will remove the parenthetic "(excluding securities)" from the caption for item 5(k) and add in its place a footnote to this item advising holding companies to exclude net gains (losses) on sales of trading assets and held-to-maturity and available-for-sale securities.

D. New and Revised Data Items

1. *Increase in the Time Deposit Size Threshold*

The Federal Reserve adopted the proposal to increase the time deposit size threshold from $100,000 to $250,000 in Schedule HC-E, memorandum item 3, Time Deposits of $100,000 or more with a remaining maturity of one year or less. The comparable line item on the Call Report is being revised to reflect the permanent $250,000 deposit insurance limit. Therefore, the Federal Reserve will implement this change to maintain consistency between the two reports. Additionally, the Federal Reserve reviewed the data collection and use of the deposit information reported in Schedule HI line item 2(a)1(a), Interest on Time Deposits of $100,000 or more and HI 2(a)1(b) Interest on Time Deposits of less than $100,000 and has determined that this item also be revised to reflect the $250,000 threshold.

2. *Changes to Schedule HC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Holding companies that have elected to measure loans not held for trading at fair value under a fair value option are required to report the fair value and unpaid principal balance of such loans in Memorandum items 10 and 11 of Schedule HC-C, Loans and Lease Financing Receivables. This information is also collected on the Call Report Schedule RC-C Loans and Leases. The FDIC and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) have proposed to move this information from Schedule RC-C to Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. Holding companies have commented in the past that retaining a consistent format between the Call Report and the FR Y-9C on the reporting of comparable information reduces reporting burden to the holding companies. Accordingly, the Federal Reserve will move Memorandum items 10 and 11 on the fair value and unpaid principal balance of fair value option loans from Schedule HC-C, to Schedule HC-Q effective March 31, 2017, and to designate them as Memorandum items 3 and 4.

3. *Extraordinary Items*

In January 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This ASU eliminates the concept of extraordinary items from U.S. GAAP. At present, ASC Subtopic 225-20, Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations"), requires an entity to separately classify, present, and disclose extraordinary events and transactions. An event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item.

ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Thus, for example, holding companies with a calendar year fiscal year must begin to apply the ASU in their FR Y-9C for March 31, 2016.[3] After a holding company adopts ASU 2015-01, any event or transaction that would have met the criteria for extraordinary classification before the adoption of the ASU should be reported in Schedule HI, item 5(l), "Other noninterest income," or item 7(d), "Other noninterest expense," as appropriate, unless the event or transaction would otherwise be reportable in another item of Schedule HI.

Consistent with the elimination of the concept of extraordinary items in ASU 2015-01, the Federal Reserve proposes to revise the instructions for Schedule HI, item 11, and remove the term "extraordinary items" and revise the captions for Schedule HI, item 8, "Income (loss) before income taxes and extraordinary items and other adjustments," item 10, "Income (loss) before extraordinary items and other adjustments" and item 11, "Extraordinary items and other adjustment, net of income taxes effective March 31, 2016. After the concept of extraordinary items has been eliminated and such items would no longer be reportable in Schedule HI, item 11, only the results of discontinued operations would be reportable in item 11. Accordingly, effective March 31, 2016, the revised captions for Schedule HI, items 8, 10 and 11 would become "Income (loss) before income taxes and discontinued operations," "Income (loss) before discontinued operations," and "discontinued operations, net of applicable income taxes" respectively. The captions for Schedule HI, memorandum items 2 and 8 and items 8 and 11 on the Predecessor Financial Items and applicable Glossary references would also be revised to eliminate the concept of extraordinary items.

Frequency

The Federal Reserve proposes no changes to the reporting frequency of the FR Y-9 family of reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

Time Schedule for Information Collection

The FR Y-9C and FR Y-9LP are filed quarterly as of the end of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the end of June and December. The filing deadline for the FR Y-9SP is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31 and the filing deadline is July 31, unless an extension is granted for filing by October 15.

The data from the FR Y-9 family of reports that are not given confidential treatment are available to the public on the FFIEC website (www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx) and through the National Technical Information Service.

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[3] Early adoption of ASU 2015-01 is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

Legal Status

The Board's Legal Division determined that the FR Y-9 family of reports is authorized by section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)), section 10 of Home Owners' Loan Act (12 U.S.C.§ 1467a(b)), 12 U.S.C. § 1850a(c)(1), section 165 of the Dodd-Frank Act (12 U.S.C. § 5365), and section 252.153(b)(2) of Regulation YY (12 CFR 252.153(b)(2)). These reports are mandatory. In general, the Board does not consider the financial data in these reports to be confidential. However, a respondent may request confidential treatment pursuant to sections (b)(4), (b)(6), and (b)(8) of the Freedom of Information Act (5 U.S.C. §§ 552(b)(4), (b)(6), and (b)(8)). The applicability of these exemptions would need to be reviewed on a case by case basis.

Consultation Outside the Agency

On December 2, 2015, the Board published a notice in the *Federal Register* (80 FR 75457) requesting public comment for 60 days on the extension, with revision, of the FR Y-9C effective in March 2016. The comment period for this notice expired on February 1, 2016. Based on comments received on the proposal and other factors, the Federal Reserve notified institutions that the revisions would be deferred until no earlier than September 2016. Most of the proposed revisions were reporting burden reductions consistent with proposed changes to the Call Reports. The proposed revisions included deletions of existing data items, increases in existing thresholds for certain data items, a number of instructional revisions and the addition of new and revised data items.

The Board received one comment letter from a bankers' association regarding proposed revisions to the FR Y-9C. The Federal Reserve also considered the comments on the Call Reports in developing the draft final notice for consistency. The Board, FDIC, and OCC (the agencies) collectively received comment letters from seven banking organizations, four bankers' associations, and two consulting firms on similar proposed revisions to the Call Reports. The commenters generally supported the proposal, but suggested delayed implementation of the revisions. The Federal Reserve agrees that the effective dates for these changes should be consistent with the timing suggested by commenters.

Discussion of Comments

The following is a detailed discussion of the comments and responses. The Federal Reserve is making proposed revisions to the FR Y-9C report that are appropriate and consistent with the comparable changes proposed to the Call Report for implementation in 2016 and 2017.[4]

[4] See 80 FR 56539 (September 18, 2015) and 81 FR 42357 (July13, 2016) for details of other actions taken under this initiative.

A. Deletions of Existing Data Items

Based on the Federal Reserve's review of the information that holding companies are required to report in the FR Y-9C, the Federal Reserve proposed that the continued collection of several items was no longer necessary and proposed to eliminate them effective March 2016.

One consulting firm agreed with all of the proposed deletions except the one involving information on other-than-temporary impairment (OTTI) losses in Schedule HI, Memorandum items 17(a) and 17(b). The firm believed the deletion of the two OTTI items would eliminate the reporting of important information about the performance of institutions' securities portfolios and how they recognize OTTI. While the Federal Reserve acknowledges that this proposal would result in the loss of information on the total year-to-date amount of OTTI losses and the portion of these losses recognized in other comprehensive income, institutions would continue to report the portion of OTTI losses recognized in earnings. It is this portion of OTTI losses that is of greatest interest and concern to the Federal Reserve. Because some or all of each OTTI loss must be recognized in earnings, when an institution reports a substantial amount of OTTI losses in earnings, it is this item that serves as a red flag for further supervisory follow-up. Additionally, the portion of OTTI losses that passes through other comprehensive income and accumulates in other comprehensive income is excluded from regulatory capital for the vast majority of institutions.

One consulting firm expressed concern about the proposed deletion of Memorandum items on troubled debt restructurings in certain loan categories in Schedules HC-C and HC-N. This firm stated that this information is important for understanding the specific nature of troubled loans relative to restructured loans and suggested that the loan categories being deleted may need to be added back if there is a significant economic downturn. The Federal Reserve notes that each of the loan categories proposed for deletion is a subset of the larger loan category "All other loans," which institutions would continue to report. Furthermore, the amount of troubled debt restructurings in each of these subset categories is reported only when it exceeds 10 percent of the total amount of troubled debt restructurings in compliance with their modified terms (Schedule HC-C) or not in compliance with their modified terms (Schedule HC-N), as appropriate. Thus, the total amount of an institution's troubled debt restructurings, both those in compliance with their modified terms and those that are not, would continue to be reported.

After considering these comments, all of the items proposed for deletion will be removed from the FR Y-9C effective September 30, 2016, except for the deletion relating to other-than-temporary impairments, which will take effect March 31, 2017.

B. New Reporting Threshold and Increases in Existing Reporting Thresholds

In three FR Y-9C schedules, the Federal Reserve proposed that the dollar portion of the thresholds that currently apply to items for other noninterest expense, other noninterest income, all other assets, and all other liabilities, be increased to provide a reduction in reporting burden without a loss of data that would be necessary for supervisory or other public policy purposes.

Also, the Federal Reserve proposed to add a $10,000,000 threshold to provide a reduction in reporting burden for reinsurance recoverables reported on Schedule HC-I, Part I line item 1 and HC-I, Part II line item 1, due to the limited activity and immateriality on these line items.

Two bankers' associations, two consulting firms, and two banking organizations commented on the proposed changes involving reporting thresholds. One banking organization supported the higher thresholds, stating that raising the thresholds would reduce reporting burden, but the other said that this change would not have an impact on its reporting. The two bankers' associations expressed support for the targeted approach to increasing the reporting thresholds, but observed that an increase from $25,000 to $100,000 would do little to reduce reporting burden for most institutions. The associations recommended increasing the percentage portion of the reporting threshold for which components must be itemized and described. At present, the percentage portion of the reporting threshold applicable to reporting components of "Other noninterest income" and "Other noninterest expense" in Schedule HI is three percent.[5] The associations recommended increasing this percentage to a range of 5 to 7 percent.

Because of the interaction between the dollar and percentage portions of the reporting thresholds on the total amount of an item that is subject to component itemization and description, the Federal Reserve acknowledges that the proposed increase in the dollar portion of the reporting threshold from $25,000 to $100,000 may not benefit all holding companies, particularly larger holding companies.

One consulting firm supported the increase in the dollar portion of the reporting threshold for Schedule HC-Q, but recommended retaining the $25,000 threshold for the "Other noninterest income" and "Other noninterest expense" in Schedule HI. The consulting firm commented that, for smaller institutions, information on the components of these noninterest items "is an important indicator of the activity of the institution, its style and management ability" and "provide[s] regulators with a clearer insight into the activities of a bank." This firm also observed that the component information is or should be captured in the internal accounting systems. The Federal Reserve recognizes that the proposed increase in the dollar portion of the threshold for reporting components of other noninterest income and expense would result in a reduced number of their components being itemized and described in the FR Y-9C Schedule HI, particularly by smaller holding companies. However, in carrying out on- and off-site supervision of holding companies, the Federal Reserve is able to follow up directly with an individual holding company when the level and trend of noninterest income and expense, and other elements of net income (or loss), that are reflected in its FR Y-9C raise questions about the quality of, and the factors affecting, the holding company's reported earnings. The Federal Reserve does not believe the proposed increase in the dollar portion of the reporting thresholds in Schedule HI will impede their ability to evaluate holding companies' earnings.

Another consulting firm questioned the proposed increase from $25,000 to $1,000,000 in the dollar portion of the threshold for itemizing and describing components of "Other trading assets" and "Other trading liabilities" in Schedule HC-D, Memorandum items 9 and 10. In

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[5] For the other items for which Federal Reserve proposed an increase in the dollar portion of the existing reporting threshold, the percentage portion of the threshold is 25 percent of the total amount of the item.

addition to meeting the dollar portion of the threshold, a component must exceed 25 percent of the total amount of “Other trading assets” or “Other trading liabilities” in order to be itemized and described in Memorandum item 9 or 10, respectively. These two memorandum items are to be completed only by holding companies that report average trading assets of $1 billion or more in any of the four preceding calendar quarters. Thus, at $1,000,000, the proposed higher dollar threshold for component itemization and description in Memorandum items 9 and 10 of Schedule HC-D would represent one tenth of one percent of the amount of average trading assets that a holding company must have in order to be subject to the requirement to report components of its other trading assets and liabilities that exceed the reporting threshold. As a result, the Federal Reserve believes that raising the dollar portion of the threshold for reporting components of Memorandum items 9 and 10 of Schedule HC-D to $1,000,000 will continue to provide meaningful data while reducing burden for holding companies that must complete these items.

No comments were received on the proposal to add a $10,000,000 threshold on HC-I. Therefore, after considering the comments about the proposed new and increased reporting thresholds, the Federal Reserve will implement all of these changes effective September 30, 2016.[6]

C. Instructional Revisions

1. *Reporting Home Equity Lines of Credit that Convert from Revolving to Non Revolving Status*

The Federal Reserve proposed to clarify the instructions for reporting loans secured by 1-4 family residential properties to specify that after a revolving open-end line of credit has converted to non-revolving closed-end status, the loan should be reported in Schedule HC-C, item 1(c)(2)(a) or (b), as appropriate.

Two bankers’ associations, one consulting firm, and one banking organization commented on the proposed instructional clarification for HELOCs. The consulting firm agreed with this clarification because of the consistency in reporting that it would provide. The two bankers’ associations stated that they appreciated the proposed clarification, but noted that “material definitional changes would require a whole recoding of these credits.” The associations observed that the proposed clarification would likely have implications for other regulatory requirements such as the Comprehensive Capital Analysis and Review, which evaluates the capital planning processes and capital adequacy of the largest U.S.-based bank holding companies. They also described two situations involving HELOCs for which further guidance would be needed if the proposed instructional change were to be implemented and recommended that examples be provided with the instructions for reporting HELOCs.

[6] Although the proposed reporting threshold changes would take effect as of September 30, 2016, holding companies may choose, but are not required, to continue using $25,000 as the dollar portion of the threshold for reporting components of the specified items in the three previously identified schedules rather than the higher dollar thresholds.

The banking organization opposed the proposed instructional clarification for HELOCs and requested that it be withdrawn, citing several difficulties it would encounter in preparing the form if the clarification were made. These difficulties include identifying when a HELOC has begun the repayment period and the lien position of a HELOC at that time because the bank's loan system for HELOCs has not been set up to generate this information. The bank requested time for systems reprogramming if the proposed instructional clarification were to be adopted.

Based on the issues raised in the comments received on the proposed HELOC instructional clarification, the Federal Reserve proposes giving further consideration to this proposal, including its effect on and relationship to other regulatory reporting requirements. Accordingly, the Federal Reserve will not proceed with this proposed instructional clarification at this time and the existing instructions for reporting HELOCs in item 1c(1) of Schedule HC-C, will remain in effect. Once the Federal Reserve completes its consideration of this instructional matter and determines whether and how the FR Y-9C instructions should be clarified with respect to the reporting of revolving open-end lines of credit that have converted to non-revolving closed-end status, any proposed instructional clarification would be published in the *Federal Register* for comment.

2. *Reporting Treatment for Securities for Which a Fair Value Option is Elected*

The FR Y-9C Glossary entry for "Trading Account" currently states that "all securities within the scope of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), that a holding company has elected to report at fair value under a fair value option with changes in fair value reported in current earnings should be classified as trading securities." To bring the "Trading Account" Glossary entry into conformity with current U.S. GAAP, the Federal Reserve proposed to revise the statement from the Glossary entry quoted above by replacing "should be classified" with "may be classified."

Comments from two bankers' associations and one consulting firm were received regarding the proposed instructional revision for the classification of securities for which the fair value option is elected. The consulting firm welcomed the proposal. The two bankers' associations stated that they understood the purpose of the proposed instructional revision, but they requested further clarification of the reporting treatment for "securities for which an institution has elected to use the trading measurement classification," i.e., fair value through earnings.

The Federal Reserve has reconsidered this proposed instructional revision in light of the comments received, including the requested further clarification. Based on this reconsideration, the Federal Reserve will not implement the proposed instructional revision and will retain the existing FR Y-9C instructions directing institutions to classify securities reported at fair value under a fair value option as trading securities.

3. *Net Gains (Losses) on Sales of, and Other-Than-Temporary Impairments on, Equity Securities That Do Not Have Readily Determinable Fair Values*

The Federal Reserve proposed several revisions to the instructions and report form caption for Schedule HI, item 5(k). No comments were received on these proposed changes; therefore the changes will take effect March 31, 2017.

D. New and Revised Data Items

1. *Increase in the Time Deposit Size Threshold*

The agencies received comments on the proposed increases in time deposit thresholds on Schedule HC-E from $100,000 to $250,000 from four banking organizations, one consulting firm and two bankers' associations. Three banking organizations and two bankers' associations supported the proposed increase and further recommended increasing the deposit size threshold on brokered deposit items and time deposits of less than $100,000.

In response to these comments, the Federal Reserve reviewed the collection and use of brokered deposit information reported in HC-E Memorandum items and have determined that HC-E Memorandum item 1, Brokered Deposits less than $100,000 with a remaining maturity of one year or less and HC-E Memorandum 2, Brokered deposits less than $100,000 with a remaining maturity of more than one year can be revised to reflect the $250,000 deposit size threshold. The Federal Reserve also reviewed the use of deposit information reported in HC-E 1(d) and 1(e) and HC-E 2(d) and (2e), time deposits of less than $100,000 and time deposits greater than $100,000 in domestic offices of commercial bank subsidiaries of the reporting holding company, and time deposits held in domestic offices of other depository institutions that are subsidiaries of the reporting holding company, and determined that these items can be revised to reflect the $250,000 threshold.

One commenter questioned why the FR Y-9C proposal did not modify Schedule HI to reflect the increased deposit threshold similar to the Call Report. The commenter stated that by not aligning the reports may create confusion and delays as banks would have to maintain separate reporting systems. The Federal Reserve has reviewed the data collection and use of the deposit information reported in Schedule HI line item 2(a)1(a), Interest on Time Deposits of $100,000 or more and HI 2(a)1(b) Interest on Time Deposits of less than $100,000 and will revise HI to reflect the $250,000 threshold.

The changes to Schedule HC-E as well as HI will take effect March 31, 2017.

2. *Changes to Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Two bankers' association requested clarification on the proposed reporting of held-to-maturity securities, available-for-sale securities and securities for which a trading measurement classification has been elected in Schedule HC-Q. As stated above, the Federal Reserve reconsidered, and decided not to implement, the proposed instructional revision that would no longer have required an institution to classify fair value option securities as trading securities. Based on this decision, the Federal Reserve also will not implement the proposed elimination of the existing Schedule HC-Q item for nontrading securities accounted for under a fair value option and their proposed addition to the schedule of a new item for held-to-maturity securities.

No comments were received on the proposal to move the Memorandum items in Schedule HC-C, on the fair value and unpaid principal balance of fair value option loans to Schedule HC-Q, where they would be designated as Memorandum items 3 and 4. Therefore, the Federal Reserve will proceed with this change effective March 31, 2017.

3. *Extraordinary Items*

In January 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This ASU eliminates the concept of extraordinary items from U.S. GAAP. The Federal Reserve proposed to revise the FR Y-9C report forms and instructions to eliminate the concept of extraordinary items consistent with ASU No. 2015-01.

No comments were received on the planned changes related to extraordinary items. Accordingly, effective September 30, 2016, the captions for Schedule HI, items 8, 10, and 11, will be revised to say "Income (loss) before income taxes and discontinued operations," "Income (loss) before discontinued operations," and "Discontinued operations, net of applicable income taxes," respectively. Similarly, the captions for Schedule HI, memorandum items 2 and 8; and items 8 and 11 on the Predecessor Financial Items and applicable Glossary references will also be revised to eliminate the concept of extraordinary items.

Additional Comments

One commenter requested clarification on why the proposed change to the Call Report regarding trading revenues due to changes in credit and debit valuation adjustments was not proposed on the FR Y-9C report. The Federal Reserve reviewed this information and believes that the proposed changes are not necessary for the FR Y-9C and that the current information is adequate to meet the Federal Reserve's supervisory needs.

There has been consultation with the FDIC and OCC. On September 8, 2016, the Federal Reserve published a final notice in the *Federal Register* (81 FR 62129).

Estimates of Respondent Burden

The current annual reporting burden for the FR Y-9 family of reports is estimated to be 197,372 hours and would decrease to 195,585 hours as shown in the following table. The average estimated hours per response for non-advanced approaches FR Y-9C filers would decrease from 50.84 hours to 50.17 hours, a decrease of 0.67 hours associated with the proposed revisions to the FR Y-9C requirements for September 2016 and March 2017. The average estimated hours per response for advanced approaches FR Y-9C filers would decrease from 52.09 hours to 51.42 hours, a decrease of 0.67 hours associated with the proposed revisions to the FR Y-9C requirements for September 2016 and March 2017. These reporting requirements represent 1.56 percent of total Federal Reserve System paperwork burden.

	Number of respondents[7]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
FR Y-9C – non AA HCs	654	4	50.84	132,997
FR Y-9C – AA HCs	13	4	52.09	2,709
FR Y-9LP	792	4	5.25	16,632
FR Y-9SP	4,122	2	5.40	44,518
FR Y-9ES	88	1	0.50	44
FR Y-9CS	236	4	0.50	472
Total				197,372
Proposed				
FR Y-9C – non AA HCs	654	4	50.17	131,245
FR Y-9C – AA HCs	13	4	51.42	2,674
FR Y-9LP	792	4	5.25	16,632
FR Y-9SP	4,122	2	5.40	44,518
FR Y-9ES	88	1	0.50	44
FR Y-9CS	236	4	0.50	472
Total				195,585
Change				(1,787)

With the proposed revisions the total cost to the public is estimated to decrease from the current level of $10,490,322 to $10,395,343 for the revised HC reports.[8]

Sensitive Questions

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

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[7] Of these respondents, 4,315 are considered a small entity (6 FR Y-9C, 557 FR Y-9LP, 3,664 FR Y-9SP, and 88 FR Y-9ES) as defined by the Small Business Administration (i.e., entities with $550 million or less in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

[8] 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 $65, 15% Lawyers at $66, and 10% Chief Executives at $89). 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 2015*, published March 30, 2016 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for collecting and processing the FR Y-9 family of reports is estimated to be $1,922,600 per year.