SUPPORTING STATEMENT
Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule
FFIEC 102
(OMB No. 3064-0199)

INTRODUCTION

Under the auspices of the Federal Financial Institutions Examination Council (FFIEC), the Federal Deposit Insurance Corporation (FDIC) is requesting Office of Management and Budget (OMB) approval to extend for three years, with revision, the Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102). This report is filed quarterly by FDIC-supervised banks and savings associations that are subject to the market risk capital rule. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting requests to OMB for the extension, with revision, of the FFIEC 102 for the institutions under their supervision that are subject to the market risk capital rule. The FFIEC, of which the FDIC, the FRB, and the OCC are members, has approved the proposed revisions to the FFIEC 102 reporting requirements.

The federal banking agencies are proposing to modify the market risk reporting requirements effective December 31, 2016, to (1) have institutions provide their Legal Entity Identifier (LEI) on the FFIEC 102, only if they already have an LEI, and (2) add U.S. intermediate holding companies (IHCs) to the FRB's respondent panel. This latter proposed revision is not applicable to the FDIC or to FDIC-supervised institutions. The agencies are not proposing to revise the market risk information required to be reported in the FFIEC 102.

An institution (i.e., a bank, savings association, bank holding company, savings and loan holding company, or U.S. intermediate holding company) must apply the market risk capital rule[1] if the institution has aggregate trading assets and trading liabilities, as reported in the institution's most recent Consolidated Reports of Condition and Income (Call Report)[2] or Consolidated Financial Statements for Holding Companies (FR Y-9C),[3] as applicable, equal to (a) 10 percent or more of quarter-end total assets or (b) $1 billion or more. Such an institution is deemed a "market risk institution."

A. JUSTIFICATION

1. Circumstances and Need

In July 2013, the FDIC, the FRB, and the OCC (collectively, the agencies) adopted amendments to the market risk capital rule. The revised market risk capital rule took effect on January 1, 2015. Those insured depository institutions and holding companies that were subject to the agencies' prior market risk capital rule[4] reported their market risk equivalent assets in the Call

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1 For FDIC-supervised institutions, 12 CFR § 324.201; for FRB-supervised institutions, 12 CFR § 217.201; for OCC-supervised institutions, 12 CFR § 3.201.
2 OMB Numbers: OCC, 1557-0081; Board, 7100-0036; and FDIC, 3064-0052.
3 OMB Number: Board, 7100-0128.
4 See 12 CFR Part 325, Appendix C (FDIC).

Report (FFIEC 031 or FFIEC 041) or the Consolidated Financial Statements for Holding Companies (FR Y-9C), as applicable. However, the reporting of market risk equivalent assets revealed only the result of an institution's market risk calculation without providing any information on the key components of the calculation. Accordingly, the agencies proposed to collect these key components in a new Market Risk Regulatory Report. Following receipt of OMB approval, the agencies implemented the FFIEC 102 effective March 31, 2015.

The data collected in the Market Risk Regulatory Report is needed to assess the reasonableness and accuracy of a market risk institution's calculation of its minimum capital requirements under the revised market risk capital rule and to evaluate a market risk institution's capital in relation to its risks. Each market risk institution is required to file the FFIEC 102. The FFIEC 102 allows the agencies to better track growth in the more credit-risk related, less liquid, and less actively traded products subject to the market risk rule.

As mentioned in the Introduction, the proposed revision applicable to the FDIC and FDIC-supervised institutions is the reporting of a market risk institution's LEI on the FFIEC 102, only if the institution already has an LEI. The LEI is a 20-digit alpha-numeric code that uniquely identifies entities that engage in financial transactions. The recent financial crisis spurred the development of a Global LEI System (GLEIS). Internationally, regulators, and market participants have recognized the importance of the LEI as a key improvement in financial data systems. The LEI system is designed to facilitate several financial stability objectives, including the provision of higher quality and more accurate financial data. In the United States, the Financial Stability Oversight Council (FSOC) has recommended that regulators and market participants continue to work together to improve the quality and comprehensiveness of financial data both nationally and globally. In this regard, the FSOC also has recommended that its member agencies, which include the FDIC, promote the use of the LEI in reporting requirements and rulemakings, where appropriate.

Starting in 2014, the FRB began requiring holding companies and certain holding company subsidiary banking and nonbanking legal entities to provide their LEI on certain FRB reports only if a reporting institution already has an LEI. Effective September 30, 2016, the agencies began requiring reporting institutions to report their LEI on the cover pages of certain other FFIEC reports only if a reporting institution already has an LEI. Thus, if a reporting institution does not have an LEI, it is not required to obtain one for purposes of these FRB and other FFIEC reports. With respect to the FFIEC 102, the agencies are proposing to have market risk institutions provide their LEI on the cover page of each report beginning December 31, 2016, only if an institution already has an LEI. As with the FRB and the other FFIEC reports, a market risk institution that does not have an LEI would not be required to obtain one for purposes of reporting it on the FFIEC 102.

2. Use of Information Collected

The data collected in the FFIEC 102 enable the agencies to monitor the levels of, and trends in, the components that comprise the market risk measure under the market risk capital rule within and across market risk institutions. This component reporting allows the agencies' supervision staffs to better understand model-implied diversification benefits for individual market risk institutions. The data also enhance institution-to-institution comparisons of the drivers underlying market risk institutions' measures for market risk, identify potential outliers through market risk institution-to-peer comparisons, track these drivers over time relative to trends in other risk indicators at market risk institutions, and focus the agencies' onsite examination efforts at market risk institutions.

In addition, the market risk information collected in the FFIEC 102 (a) permits the agencies to monitor the market risk profile of and evaluate the impact and competitive implications of the market risk capital rule on individual market risk institutions and the industry as a whole; (b) provides the most current statistical data available to identify areas of market risk on which to focus for onsite and offsite examinations; (c) allows the agencies to assess and monitor the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk capital rule; and (d) assists market risk institutions in implementing and validating the market risk framework.

These reports also help the agencies identify and appropriately reflect market risks in their assessments of the safety and soundness of market risk institutions.

3. Use of Technology to Reduce Burden

Market risk institutions may use any information technology that allows them to meet the requirements of this information collection. All market risk institutions are required to submit their completed reports electronically using the Federal Reserve's Reporting Central application.

4. Efforts to Identify Duplication

The market risk information collected in the FFIEC 102 is unique. No duplication with other information collections exists.

5. Minimizing the Burden on Small Institutions

The FFIEC 102 is collected only from market risk institutions. As stated in the Introduction, a market risk institution is a bank, savings association, bank holding company, savings and loan holding company, or U.S. intermediate holding company that reported aggregate trading assets and trading liabilities in its most recent Call Report or FR Y-9C equal to (a) 10 percent or more of quarter-end total assets or (b) $1 billion or more. Pursuant to regulations issued by the Small Business Administration (13 CFR 121.201), a "small entity" includes depository institutions with assets of $550 million or less. This collection as it is proposed to be revised does not have a significant impact on a substantial number of small entities.

6. Consequences of Less Frequent Collection

Less frequent collection would present safety and soundness concerns and hinder the FDIC's ability to assess the adequacy of market risk institutions' capital under the market risk capital rule, which requires the quarterly measurement of market risk-weighted assets.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

On July 5, 2016, the agencies, under the auspices of the FFIEC, published an initial notice in the Federal Register (81 FR 43605) requesting public comment for 60 days on the proposed revisions to the FFIEC 102 (proposal). The comment period for this notice expired on September 6, 2016. The agencies collectively did not receive any comments on the proposal. Subject to OMB approval, the agencies plan to proceed with the implementation of the revisions to the FFIEC 102 reporting requirements as proposed effective December 31, 2016.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

All data reported in the FFIEC 102 would be made available to the public. However, as explained in the instructions for the FFIEC 102, a market risk institution may request confidential treatment for some or all of the portions of the FFIEC 102 if the institution is of the opinion that disclosure of specific commercial or financial information in the report would likely cause substantial harm to its competitive position.

11. Information of a Sensitive Nature

The Call Report contains no questions of a sensitive nature.

12. Estimate of Annual Burden

Estimated Number of Respondents: 1 FDIC-supervised depository institution.

Estimated Time per Response: 12 burden hours per quarter to file.

Estimated Total Annual Burden: 48 burden hours to file.

13. <u>Estimate of Total Annual Cost Burden</u>

Call Report data as of June 30, 2016, indicate that, for the one FDIC-supervised institution respondent for the FFIEC 102, salaries and employee benefits per full-time equivalent employee averaged $47.75 per hour. This cost is supplemented by an estimated additional $27.00 per hour for the cost of data processing and other overhead to support the institution's preparation of the report. For this one FDIC-supervised institution respondent, the total annual cost burden is estimated to be approximately $3,600 based on the application of the combined $74.75 per hour cost to the estimated total annual burden of 48 hours.

14. <u>Estimate of Total Annual Cost to the Federal Government</u>

The Federal Reserve System will be collecting and processing the FFIEC 102 on behalf of the three federal banking agencies. The Federal Reserve's responsibilities for ongoing data processing include creating and providing extract files of the FFIEC 102 data for the FDIC and the OCC. Any cost to the FDIC for receiving and using these extract files is expected to be nominal. Please refer to the FRB's Supporting Statement for the proposed revisions to the FFIEC 102 for its ongoing cost for collecting and processing the FFIEC 102 data and for the one-time cost, if any, to implement the proposed revisions to the report.

15. <u>Reason for Change in Burden</u>

The proposed revision to the FFIEC 102 that is applicable to FDIC-supervised market risk institutions is to have them provide their LEI on the report, only if they already have an LEI. This will not result in a change in burden.

16. <u>Publication</u>

All data reported in the FFIEC 102 is available to the public on the FRB's National Information Center public Web site, which can be accessed through the FFIEC's public Web site.

17. <u>Display of Expiration Date</u>

Not applicable.

18. <u>Exceptions to Certification</u>

None.

B. <u>COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS</u>

Not applicable.