SUPPORTING STATEMENT

Recordkeeping and Disclosure Provisions Associated with
Company-Run Annual Stress Test Reporting Template and Documentation
for Covered Banks with Total Consolidated Assets of $50 Billion or More
OMB Control No. 3064-0189

A. JUSTIFICATION

The Federal Deposit Insurance Corporation (FDIC) is revising information collection 3064-0189 to modify the existing stress testing reporting templates for covered banks with total consolidated assets of $50 billion or more. There is no change in the method or substance of the collection.

1. Circumstances that make the collection necessary:

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") requires certain financial companies, including state nonmember banks and state savings associations, to conduct annual stress tests. A state nonmember bank or state savings association is subject to the stress test requirements if its total consolidated assets are more than $10 billion. Under section 165(i)(2), these institutions are required to submit to the Board of Governors of the Federal Reserve System ("Board") and to the FDIC a report on the results of the stress test. On October 15, 2012, the FDIC published in the Federal Register a final rule on annual stress testing (Annual Stress Test Rule)[1] that is applicable to all state nonmember banks and state savings associations with over $10 billion in total consolidated assets (covered banks) pursuant to the requirements of section 165(i)(2) of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).[2]

In 2012, the FDIC first implemented the reporting templates for covered banks with total consolidated assets of $50 billion or more and provided instructions for completing the reports.[3] The FDIC is now revising the reporting templates for covered institutions with consolidated assets of $50 billion or more. The FDIC recognizes that many covered banks with total consolidated assets of $50 billion or more are required to submit reports using the Board's Comprehensive Capital Analysis and Review ("CCAR") reporting form, FR Y-14A. The FDIC also recognizes the Board has modified the FR Y-14A, and the FDIC will keep its reporting requirements as similar as possible with the Board's FR Y-14A in order to minimize burden on affected institutions. Therefore, the FDIC is revising its reporting requirements to remain consistent with the Board's FR Y-14A for covered banks with total consolidated assets of $50 billion or more.

[1] 77 FR 62417 (Oct. 15, 2012).
[2] Public Law 111-203, 124 Stat. 1376, July 2010.
[3] 77 FR 52719 (August 30, 2012) and 77 FR 70435 (November 26, 2012).

The proposed revisions to the DFAST-14A reporting templates consist of clarifying instructions, adding and removing schedules, adding, deleting, and modifying existing data items, and altering the as-of dates. These proposed changes would increase consistency between the DFAST-14A with the FR Y-14A and CALL Report. The specific changes entail:

- *Standardized RWA Worksheet* – Multiple line item changes intended to promote consistency with FR Y-14A and ensure the collection of accurate information.
- *Capital Worksheet* - Covered institutions would be required to estimate their supplementary leverage ratio for the planning horizon beginning on January 1, 2018. The FDIC proposes adding two items to the Summary Schedule: Supplementary Leverage Ratio Exposure (SLR Exposure) and Supplementary Leverage Ratio (the SLR). The SLR would be a derived field. In addition, to collect more precise information regarding deferred tax assets (DTAs), the FDIC is modifying one existing item on the Capital – DFAST worksheet of the Summary schedule as-of December 31, 2016. The FDIC is also changing existing item 112 on the Capital – DFAST worksheet of the Summary schedule, "Deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, net of DTLs, but before related valuation allowances", to "Deferred tax assets arising from temporary differences, net of DTLs." A covered institution in a net deferred tax liability (DTL) position would report this item as a negative number. This modification would provide more specific information about the components of the "DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs" subject to the common equity tier 1 capital deduction threshold. The proposed revisions would also remove certain items that pertained to the capital regulations in place before the adoption of the Basel III final rule.
- *Retail Balances and Loss Worksheet* - The FDIC proposes to remove the Retail Balances and Loss Worksheet.
- *Retail Repurchase Worksheet* - The FDIC proposes to remove the Retail Repurchase Worksheet.
- *High-Level OTTI Methodology and Assumptions for AFS and HTM Securities by Portfolio Worksheet* - The FDIC proposes to remove the High-Level OTTI Methodology and Assumptions for AFS and HTM Securities by Portfolio Worksheet.
- *Projected OTTI for AFS Securities and HTM Securities Worksheet* - The FDIC proposes to remove the Projected OTTI for AFS Securities and HTM Securities Worksheet.
- *Actual AFS and HTM Fair Market Value Sources by Portfolio Worksheet* - The FDIC proposes to remove the Actual AFS and HTM Fair Market Value Sources by Portfolio Worksheet.
- *Trading Worksheet* - The FDIC proposes to remove the Trading Worksheet.

- *Counterparty Credit Risk Worksheet* - The FDIC proposes to remove the Counterparty Credit Risk Worksheet.
- *PPNR Metrics Worksheet* - The FDIC proposes to remove the PPNR Metrics Worksheet.
- *Regulatory Capital Instruments Schedule* - The FDIC proposes to remove the Regulatory Capital Instruments Schedule.
- *Regulatory Capital Transitions Schedule* - The FDIC proposes to remove the Regulatory Capital Transitions Schedule.
- *Operational Risk Schedule* - The FDIC proposes to remove the Operational Risk Schedule.

2. Use of the information:

Consistent with past practice, the FDIC intends to use the data collected to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered institution's capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

3. Consideration of the use of improved information technology:

Covered banks may use any information technology that permits review by FDIC examiners and meets the requirements of the collection.

4. Efforts to identify duplication:

The information required is unique. It is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

The information collection affects only large institutions that have more than $50 billion in total consolidated assets and therefore does not have a significant impact on a substantial number of small entities.

6. Consequences to the Federal program if the collection were conducted less frequently:

Congress, by statute, has determined that this information is to be collected on an annual basis. Conducting the collection less frequently would potentially present safety and soundness risks to those entities otherwise subject to testing.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. Efforts to consult with persons outside the agency:

On November 25, 2016, the FDIC published in the Federal Register an information collection notice with a 60-day comment period on the proposed revisions to the DFAST-14A stress testing reporting templates.[4] The comment period ended January 24, 2017 and no comments were received.

9. Payment to respondents:

There is no payment to respondents.

10. Any assurance of confidentiality:

The stress test reports information collection request will be kept private to extent allowed by law.

11. Justification for questions of a sensitive nature:

No questions of a sensitive nature are asked.

12. Burden estimate:

Number of Respondents[5]: 5.

Annual Burden per Respondent: 1,040.

Total Annual Burden: 5,200 hours.

13. Estimate of annualized costs to respondents:

On average, FDIC staff estimates that each of the 5 respondents with consolidated assets of $50 billion or more will spend 1,040 hours at a cost of $107.88[6] per hour to collect and

[4] 81 FR 85223 (November 25, 2016).

[5] The total number of respondents increased by one due to one covered institution growing above $50 billion in total assets as of December 31, 2016.

[6] To estimate hourly wages, we used data from May 2015 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS). To estimate compensation costs associated with the rule, we used $73.18 per hour, which is the average of the 90th percentile for seven occupations (i.e., accountants and auditors, compliance officers, financial analysts, lawyers, management occupations, software developers, and statisticians). We added 45.77 percent for private sector benefits, based on the *Employer Costs for Employee Compensation Summary*, BLS (Dec 2016). We also added the inflation rate of 1.65 percent. The OCC used a similar analysis, albeit with data from May

prepare information for each ongoing annual submission, resulting in a cost of $112,195.20 per respondent or a total cost of $560,976.00. FDIC staff expects that key drivers of costs of compliance will be the magnitude of the changes in activities and operations of each covered bank.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

Because these revisions primarily involve removal of items not reported by FDIC-supervised institutions, there is no change in the information collection burden associated with the revisions. The increase in the estimated total annual burden hours is due to the increase in the estimated number of respondents because one additional institution grew above the $50 billion in total assets threshold and is now subject to the reporting requirements. This is a change resulting from economic fluctuation and not due to a revision of the information collection.

The Stress Test Reporting Templates for Institutions Between $10 Billion and $50 Billion is a separate information collection under control number 3064-0187. The IC and related burden for Stress Test reporting for institutions between $10 and $50 Billion should have been removed from this ICR when it was reported under 3064-0187. FDIC is now removing the IC for Stress Test Reporting Templates for Institutions Between $10 Billion and $50 Billion (and the related burden) from this ICR to correct the error.

There has never been a recordkeeping component to this information collection. The recordkeeping burden previously reflected in the IC for institutions $50 Billion and over was actually the implementation burden associated with this information collection when it was first created many years ago. All initially-affected institutions (4) have now gone through the implementation phase and no longer face an implementation burden. Any institution reaching the $50 Billion or more threshold will have gone through implementation at the $10 to $50 Billion level (3064-0187) and the implementation burden is currently reflected under that control number. This is, in fact, the case with respect to the one additional institution joining the roster of respondents (which is now 5). That institution was previously reporting under 3064-1087 and went through the implementation phase when setting up to report under that ICR.

16. Information regarding collections whose results are planned to be published for statistical use:

Not applicable.

2011 and with lower estimate of the cost of benefits.

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

Not applicable.