

**Supporting Statement for the
Annual Dodd-Frank Act Company-Run Stress Test Report for Depository Institutions and
Holding Companies with \$10-\$50 Billion in Total Consolidated Assets
(FFIEC 016, OMB No. 7100-0356)**

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the mandatory Federal Financial Institutions Examination Council (FFIEC) Annual Dodd-Frank Act Company-Run Stress Test Report for Depository Institutions and Holding Companies with \$10-\$50 Billion in Total Consolidated Assets (FFIEC 016, OMB No. 7100-0356). The FFIEC 016 would replace the Board's FR Y-16 (Annual Company-Run Stress Test Report For SMBs, BHCs, and SLHCs with Total Consolidated Assets Greater Than \$10 Billion and Less Than \$50 Billion), which it currently uses to collect the annual company-run stress test results. The revisions to the FFIEC 016 that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) have similarly requested OMB approval to use the FFIEC 016 to request information from banks under their supervision.

The annual FFIEC 016 report collects quantitative projections of revenues, losses, assets, liabilities, and capital across three scenarios provided by the Board (baseline, adverse, and severely adverse) and qualitative supporting information on the methodologies and processes used to develop these internal projections. The respondent panel for the Board's FFIEC 016 consists of any state member bank (SMB), bank holding company (BHC), and savings and loan holding company (SLHC)¹ with average total consolidated assets of greater than \$10 billion but less than \$50 billion. The annual as of date of the stress test report is December 31, and the submission deadline for the report is the following July 31.

As part of their proposed adoption of the FFIEC 016 report, the Board, the FDIC, and the OCC (the agencies) also are proposing to implement a limited number of revisions that would align the report with recent burden-reducing changes to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) and the Board's Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128). The proposed FFIEC 016 reporting requirements reflect the company-run stress testing requirements promulgated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (as reflected in the agencies' current information collections). The proposed FFIEC 016 would take effect for the December 31, 2017, as of date of the stress test report. The submission deadline for the report would be July 31, 2018. The total current annual paperwork burden for the FFIEC 016 is estimated to be 52,016 hours and the proposed revisions would not change the current paperwork burden estimate.

¹ SLHCs substantially engaged in commercial or insurance underwriting activities are exempt from the requirements until such time that the Board establishes a final capital rule for such firms. If the Board issued the rule or order on or before March 31 of the previous year, the stress test requirements would then be effective on January 1 of a given year, unless the time is accelerated or extended by the Board in writing.

Background and Justification

Currently, the agencies maintain separate, yet identical, reporting forms (FR Y-16 for the Board, DFAST 10-50 for the FDIC, and DFAST 10-50B for the OCC) for the financial institutions with total consolidated assets of more than \$10 billion but less than \$50 billion that they supervise to report the results of their company-run stress test. These annual reports collect quantitative projections of balance sheet assets and liabilities, income, losses, and capital across a range of macroeconomic and financial scenarios as well as qualitative supporting information on the methodologies and processes used to develop those internal projections. The agencies are proposing to combine these separate data collections and designate the combined report as a uniform FFIEC data collection.

Section 165(i)(2) of the Dodd-Frank Act and Regulation YY (12 CFR part 252, subpart H) require financial institutions with total consolidated assets between \$10 and \$50 billion to conduct annual company-run stress tests and to report their stress test results to the Federal Reserve and the institution's primary federal regulator.

Information received in the FFIEC 016 report is used in connection with the Board's supervision and regulation of these financial institutions to form supervisory assessments of the quality of a company's stress testing process and results as part of the broader assessment of a company's capital adequacy and risk management process. Data collected in the FFIEC 016 report provides Reserve Bank examiners with an important tool to assist in the analysis and assessment of a company's capital position and planning process. This information is not available from other sources.

Respondents to the FFIEC 016 are not subject to the Board's Capital Plan Rule, are not participants in the Board's Comprehensive Capital Analysis and Review process, and are not subject to the Board's supervisory stress testing program. Therefore, the Board does not require the \$10-50 billion companies to maintain a minimum post-stress pro-forma capital ratio over the stress test planning horizon, and there is no regulatory approval associated with the results of these internal company-run stress tests.

Description of Information Collection

The FFIEC 016 reporting form collects data through two primary schedules (1) the Results Schedule (which includes the quantitative results of the stress tests under the baseline, adverse, and severely adverse scenarios for each quarter of the planning horizon) and (2) the Scenario Variables Schedule. In addition, respondents are required to submit a summary of the qualitative information supporting its quantitative projections. The qualitative supporting information must include:

- a description of the types of risks included in the stress test,
- a summary description of the methodologies used in the stress test,
- an explanation of the most significant causes for the changes in regulatory capital ratios, and
- the use of the stress test results.

Results Schedule

For each of the three supervisory scenarios, data are reported on two supporting schedules (1) the Income Statement Schedule and (2) the Balance Sheet Schedule. In addition, the Results Schedule includes a Summary Schedule, which summarizes key results from the Income Statement and Balance Sheet Schedules.

Income statement data are collected on a projected quarterly basis showing projections of both revenues and losses. These data are organized in a similar fashion to the mandatory FR Y-9C, Schedule HI - Consolidated Income Statement, and the FFIEC 031 and FFIEC 041, Schedule RI - Income Statement. For example, respondents project net charge-offs by loan type (stratified by twelve specific loan types), gains and losses on securities, pre-provision net revenue, and other key components of net income (i.e., provision for loan and lease losses, taxes, etc.).

Balance sheet data are collected on a quarterly basis for projections of certain assets, liabilities, and capital. These data are organized in a similar fashion to the FR Y-9C, Schedule HC - Consolidated Balance Sheet, and FFIEC 031 and FFIEC 041, Schedule RC - Balance Sheet. For example, respondents would project loans, allowance for loan and lease losses, securities, funding sources, and equity capital. Capital data are also collected on a projected quarterly basis and include components of regulatory capital, including the projections of risk weighted assets and capital actions such as common dividends and share repurchases.

Scenario Variables Schedule

To conduct the stress tests, an institution may choose to project additional economic and financial variables beyond the mandatory supervisory scenarios provided to estimate losses or revenues for some or all of its portfolios. In such cases, the institution is required to complete the Scenario Variables Schedule for each scenario where the institution chooses to use additional variables. The Scenario Variables Schedule collects information on the additional scenario variables used over the planning horizon for each supervisory scenario.

Proposed Revisions

As part of their proposed adoption of the FFIEC 016 report, the agencies also are proposing to change the quantitative and qualitative information currently collected in their separate, yet identical, reporting forms to implement a limited number of revisions that would align the report with recent burden-reducing changes to the FFIEC 031, FFIEC 041, and the Board's FR Y-9C. These revisions are not expected to change the estimated reporting burden for the proposed FFIEC 016 compared to the estimated reporting burden for the agencies' existing stress test reporting forms. The following revisions to the FFIEC 031, FFIEC 041, and FR Y-9C (as applicable) that took effect March 31, 2017, would affect the proposed FFIEC 016.

(1) On the FFIEC 031 and FFIEC 041 Schedule RI, Memorandum item 14.a, and on the FR Y-9C Schedule HI, Memorandum item 17(a), "Total other-than-temporary impairment losses," was removed, but institutions continue to report other-than-temporary impairment losses

recognized in earnings on the FFIEC 031 and FFIEC 041 Schedule RI, Memorandum item 14, and the FR Y-9C Schedule HI, Memorandum item 17. The agencies propose for the FFIEC 016 reporting form and instructions to replace line item 25, "Total other-than-temporary impairment losses," on each Income Statement scenario schedule with "Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities recognized in earnings" as defined in FFIEC 031 and FFIEC 041 Schedule RI, Memorandum item 14, and FR Y-9C Schedule HI, Memorandum item 17.

(2) On the FFIEC 031 and FFIEC 041 Schedule RC-E, Part I, Memorandum items 1.c.(1), "Brokered deposits of less than \$100,000," and 1.c.(2), "Brokered deposits of \$100,000 through \$250,000 and certain brokered retirement deposit accounts," were combined into a single item, Memorandum item 1.c, "Brokered deposits of \$250,000 or less (fully insured brokered deposits)." The agencies propose for the FFIEC 016 reporting form and instructions to align its Balance Sheet line items 32 and 33 for retail and wholesale funding calculations, respectively, with the updated FFIEC 031 and FFIEC 041 Schedule RC-E, Part I, Memorandum item 1.c, "Brokered deposits of \$250,000 or less (fully insured brokered deposits)."

(3) On Schedule RC-M of the FFIEC 031 and FFIEC 041, items for the amount of loans covered by FDIC loss-sharing agreements in the following loan categories were removed and combined with existing Schedule RC-M, item 13.a.(5), "All other loans and all leases" covered by such agreements: item 13.a.(2), "Loans to finance agricultural production and other loans to farmers"; item 13.a.(3), "Commercial and industrial loans"; item 13.a.(4)(a), "Credit cards"; item 13.a.(4)(b), "Automobile loans"; and item 13.a.(4)(c), "Other (includes revolving credit plans other than credit cards, and other consumer loans)." In order to keep the data collection uniform and comparable across types of reporting institutions, the agencies propose for the FFIEC 016 reporting form and instructions to discontinue the deduction of loans covered by FDIC loss-sharing agreements from each of the loan categories collected in Balance Sheet line items 1 through 13. In addition, in the proposed FFIEC 016 reporting form, existing Balance Sheet line item 14, "Loans covered by FDIC loss-sharing agreements," will be retained.

In addition, the agencies are proposing to have reporting institutions provide their Legal Entity Identifier (LEI) on the FFIEC 016 reporting form, if they have one. 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 Group of Twenty (G-20) nations directed the Financial Stability Board to lead the coordination of international regulatory work and deliver concrete recommendations on the GLEIS by mid-2012, which in turn were endorsed by the G-20 later that same year. In January 2013, the LEI Regulatory Oversight Committee (ROC), which includes regulators from around the world, was established to oversee the GLEIS on an interim basis. The agencies are all members of the ROC. With the establishment of the full Global LEI Foundation in 2014, the ROC continues to review and develop broad policy standards for LEIs.

The LEI system is designed to facilitate several financial stability objectives, including the provision of higher quality 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 promote the use of the LEI in reporting requirements and rulemakings, where appropriate.²

With respect to the FFIEC 016, the agencies are proposing to have reporting institutions provide their LEI on the cover page of this revised report once it is implemented, if a reporting institution has an LEI. A reporting institution that does not have an LEI would not be required to obtain one for purposes of reporting it on the FFIEC 016.

The uniform FFIEC 016 report would continue to be collected in an electronic format using file specifications and formats determined by the agencies, as prescribed in the Federal Reserve System's Reporting Central application. The agencies believe that developing a uniform report under the FFIEC reporting structure will promote uniform standards and reporting across the agencies, which is consistent with the function of the FFIEC.³ The proposed FFIEC 016 information collection would satisfy each agency's company-run stress-testing requirements, while ensuring consistency and comparability of the stress-testing information across institutions. The change from three separate agency-specific reports to an interagency FFIEC report is expected to be a seamless change for institutions with \$10 to \$50 billion in assets currently reporting annual Dodd-Frank Act stress-testing information. The change also would ensure that future collections of this information remain uniform across the agencies.

The proposed FFIEC 016 reporting form would take effect as of December 31, 2017. The first annual filing deadline for the FFIEC 016 reporting form would be July 31, 2018.

Respondent Panel

The Board's respondent panel includes any SMB, BHC or SLHC with average total consolidated assets of greater than \$10 billion but less than \$50 billion. Average total consolidated assets are based on the average of the total consolidated assets as reported on a BHC's four most recent FR Y-9C filings or a SMB's four most recent FFIEC 031 or FFIEC 041 filings. A BHC or SMB that exceeds the asset threshold for the first time on or before March 31 of a given year must comply with the company-run stress test requirements beginning on January 1 of the following year, unless the Board in writing extends that time. Similarly, a BHC or SMB that exceeds the asset threshold for the first time after March 31 of a given year must comply with the company-run stress test requirements beginning on January 1 of the second year following that given year, unless the Board in writing extends that time. The requirement to file the FFIEC 016 report does not apply to foreign banking organizations (FBOs). However, U.S. domiciled BHC subsidiaries or SMB subsidiaries of an FBO that meet the asset threshold must file the FFIEC 016.⁴

² Financial Stability Oversight Council 2015 Annual Report, page 14, <http://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/2015%20FSOC%20Annual%20Report.pdf>.

³ See 12 U.S.C. 3305(c).

⁴ U.S. domiciled BHC subsidiaries of FBOs that meet the asset threshold and are currently relying on SR Letter 01-01 are not required to report until the stress-test cycle that commences on January 1, 2016.

Time Schedule for Information Collection

Respondents would be required to submit data annually, no later than July 31 based on financial data as of December 31 of the prior year.

Legal Status

The FFIEC 016 is authorized pursuant to section 165(i)(2) of the Dodd-Frank Act, which authorizes the Board to issue regulations implementing the annual stress-testing requirements for its supervised institutions and provides that a company required to conduct annual stress tests must submit a report its primary financial regulatory agency at such time, in such form, and containing such information as the primary financial regulatory agency shall require (12 U.S.C. 5365(i)(2)(C)). The obligation to respond is mandatory.

The information collected by the FFIEC 016 may be accorded confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) because it will be collected as part of the Board's supervisory process (5 U.S.C. 552(b)(8)). This information also is the type of confidential commercial and financial information that may be withheld under exemption 4 of FOIA (5 U.S.C. 552(b)(4)). As required information, it may be withheld under exemption 4 only if public disclosure could result in substantial competitive harm to the submitting institution, under *National Parks and Conservation Association v. Morton*, 498 F.2d 765 (D.C. Cir. 1974).

Consultation Outside the Agency

On October 6, 2017, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (82 FR 46887) requesting public comment for 60 days on the extension, with revision, of the FFIEC 016. The comment period for this notice expired on December 5, 2017. The agencies did not receive any comments. On February 23, 2018, the agencies published a final notice in the *Federal Register* (83 FR 8149) and the agencies are adopting the collection as originally proposed.

Estimate of Respondent Burden

The Board's annual burden for the reporting requirements of this information collection is estimated to be 469 hours per respondent, for a total of 30,016 hours annually. The Federal Reserve estimates the automation burden for each new respondent would vary, but on average, it is estimated to take approximately 2,000 hours (initial stress test) per respondent to prepare their systems for submitting the data. Approximately, 11 new respondents would be required to implement and file this report for a total of 22,000 hours annually. These reporting requirements represents less than 1 percent of the total Federal Reserve System paperwork burden.

FFIEC 016	<i>Number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Initial stress test	11	1	2,000	22,000
Ongoing stress test	64	1	469	<u>30,016</u>
<i>Total</i>				52,016

The total annual cost to the public is estimated to be \$2,855,678.⁶

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 for collecting and processing the FFIEC 016 is estimated to be \$324,590.

⁵ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

⁶ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016*, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.