

**Supporting Statement  
Recordkeeping and Disclosure Provisions  
Associated with Stress Testing Guidance  
OMB Control No. 1557-0312**

**A. Justification**

**1. *Circumstances that make the collection necessary:***

Each banking organization should have the capacity to understand its risks and the potential impact of stressful events and circumstances on its financial condition.<sup>1</sup> On May 17, 2012, the OCC, along with the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve (FRB), published guidance on the use of stress testing as a means to better understand the range of a banking organization's potential risk exposures.<sup>2</sup> The OCC is now seeking to renew the information collection associated with that guidance.

The guidance provides an overview of how a banking organization should structure its stress testing activities to ensure they fit into the banking organization's overall risk management program. The purpose of the guidance is to outline broad principles for a satisfactory stress testing framework and describe the manner in which stress testing should be used, that is as an integral component of risk management applicable at various levels of aggregation within a banking organization as well as a tool for capital and liquidity planning. While the guidance is not intended to provide detailed instructions for conducting stress testing for any particular risk or business area, it does include descriptions of several types of stress testing activities and how they may be most appropriately used by banking organizations. The guidance also does not explicitly address the stress testing requirements imposed upon certain companies by section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).<sup>3</sup>

**2. *Use of the information:***

The uses of an organization's stress testing framework should include (but are not limited to): augmenting risk identification and measurement; estimating business line revenues and losses and informing business line strategies; identifying vulnerabilities and assessing their potential impact; assessing capital adequacy and enhancing capital planning; assessing liquidity adequacy and informing contingency funding plans; contributing to strategic planning; enabling senior management to better integrate strategy, risk management, and capital and liquidity planning decisions; and assisting with recovery planning.

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<sup>1</sup> For purposes of the guidance, the term "banking organization" means national banks and federal branches and agencies supervised by the OCC; state member banks, bank holding companies, and all other institutions for which the FRB is the primary federal supervisor; and state nonmember insured banks and other institutions supervised by the FDIC.

<sup>2</sup> 77 FR 29458 (May 17, 2012).

<sup>3</sup> Pub. L. 111-203, 124 Stat. 1376. Section 165(i) of the Dodd-Frank Act is codified at 12 U.S.C. 5365(i)(2).

A banking organization should have a stress testing framework that includes:

- Clearly defined objectives;
- Well-designed scenarios tailored to the organization's business and risks;
- Well-documented assumptions;
- Conceptually sound methodologies to assess potential impact the organization's financial condition;
- Informative management reports;
- Recommended actions based on stress test results; and
- Policies and procedures for a stress testing framework.

**3. *Consideration of the use of improved information technology:***

Institutions may use any information technology that permits review by OCC examiners.

**4. *Efforts to identify duplication:***

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

**5. *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden:***

Not applicable. The information collection affects only large institutions.

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

Conducting the collection less frequently would present safety and soundness risks.

**7. *Special circumstances that would cause the information collection to be conducted in a manner inconsistent with 5 CFR part 1320.***

Not applicable.

**8. *Efforts to consult with persons outside the agency:***

The OCC issued a notice for 60 days of comment regarding this collection, April 2, 2018, 83 FR 14103. No comments were received.

**9. *Payment or gift to respondents:***

There is no payment to respondents.

**10. *Assurance of confidentiality:***

The information is kept confidential to the extent permitted by law.

**11. Justification for questions of a sensitive nature:**

Not applicable. No sensitive information is collected.

**12. Burden estimate:**

62 institutions (50 national banks and 12 thrifts) are affected by the guidance.

(a) Documentation of assumptions, uncertainties and limitations - 62 respondents x 40 hours per respondent = 2,480 burden hours (Recordkeeping)

(b) Summary of test results - 62 respondents x 40 hours per respondent = 2,480 burden hours (Recordkeeping)

(c) Policies and procedures (establishing and ensuring compliance with); Assigning staff (including training); Overseeing test development and implementation; Evaluating Results; Taking remedial action; Reporting to Board; Written policies and procedures, approved annually, that direct and govern implementation; Appropriate documentation of tests reviewed by Board and Senior Management - 62 respondents x 180 hours per respondent = 11,160 burden hours (Recordkeeping)

Total burden: 62 respondents; 16,120 burden hours

Cost of Hour Burden:

16,120 x \$117 = \$1,886,040

To estimate wages we reviewed data from May 2017 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation (NAICS 522100). To estimate compensation costs associated with the rule, we use \$117 per hour, which is based on the average of the 90th percentile for seven occupations adjusted for inflation (2.2 percent), plus an additional 34.2 percent to cover private sector benefits for financial activities.

**13. Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12):**

None.

**14. Estimates of annualized cost to the federal government:**

None.

**15. Change in burden:**

None.

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

Not applicable.

**17. Reasons for not displaying OMB approval expiration date:**

Not applicable.

**18. Exceptions to the certification statement:**

None.

**B. Collections of information employing statistical methods**

Not applicable.