SUPPORTING STATEMENT
Large-Bank Deposit Insurance Programs
OMB No. 3064-0162

INTRODUCTION

The Federal Deposit Insurance Corporation requests OMB approval to extend, for three years the above-captioned collection of information. The clearance for the collection expires on April 30, 2015.

Upon the failure of an FDIC-insured depository institution, the FDIC is required to pay insured deposits as soon as possible[1]. To do so, the FDIC must be able to quickly determine the total insured amount for each depositor. To make this determination, the FDIC must ascertain the balances of all deposit accounts owned by the same depositor in the same ownership capacity at a failed institution as of the day of failure. The FDIC established a final rule (12 CFR 360.9) to modernize the process of determining the insurance status of each depositor in the event of such a failure.

The final rule requires the largest insured depository institutions to adopt mechanisms that would, in the event of the institution's failure (1) provide the FDIC with standard deposit account and other customer information, and (2) allow the placement and release of holds on liability accounts, including deposits. The final rule applies only to insured depository institutions having at least $2 billion in domestic deposits and either: more than 250,000 deposit accounts; or total assets over $20 billion, regardless of the number of deposit accounts.

A. JUSTIFICATION

1. Circumstances and Need

Section 360.9 requires the largest insured depository institutions to adopt mechanisms that, in the event of the institution's failure: (1) provide the FDIC with standard deposit account and customer information; and (2) allow the FDIC to place and release holds on liability accounts, including deposits. Section 360.9 applies only to insured depository institutions having at least $2 billion in domestic deposits and either: (1) more than 250,000 deposit accounts; or (2) total assets over $20 billion, regardless of the number of deposit accounts (referred to hereinafter as "Covered Institutions").

When handling a depository institution failure the FDIC is required to structure the least costly of all possible resolution transactions, except in the event of systemic risk. In addition, the FDIC is required to pay insured deposits "as soon as possible" after an institution fails. The FDIC

[1] The FDIC can meet its obligation to pay insured deposits either by payment in cash or by making available to each depositor a transferred deposit in a another insured depository institution. 12 U.S.C §1821(f)(1).

places a high priority on providing access to insured deposits promptly and, in the past, has usually been able to allow most depositors access to their deposits on the business day following closing. Doing so enables the FDIC to: (1) maintain public confidence in the banking industry and the FDIC; (2) provide the best possible service to insured depositors by minimizing uncertainty about their status and avoiding costly disruptions that may limit their ability to meet financial obligations; (3) mitigate the spillover effects of a failure, such as risks to the payments system, problems stemming from depositor illiquidity and a substantial reduction in credit availability; and (4) retain, where feasible, the franchise value of the failed institution.

The largest insured depository institutions are growing increasingly complex. Section 360.9 is intended to allow the deposit operations of a failed institution to be continued on the day following failure. It helps facilitate an insurance determination and dramatically improve upon access to depositor funds when one of these institutions fails. It also permits the FDIC to meet its legal mandates regarding the resolution of failed insured institutions, provide liquidity to depositors promptly, enhance market discipline, ensure equitable treatment of depositors at different institutions and reduce the FDIC's costs by preserving the franchise value of a failed institution.

Making deposit insurance determinations is inherently complex because a single depositor may have more than one account and may hold accounts in different ownership capacities, each of which may be separately insured. To make insurance determinations, the FDIC must aggregate all accounts owned by a depositor in a single ownership capacity. This process often requires reviewing detailed account agreements and other documents. The larger the number of deposit accounts at an institution, the more complex and difficult the insurance determination becomes. Complexity also depends upon the volume of transactions, the amount of uninsured funds, the number of separate computer systems or "platforms" on which deposit accounts are maintained and the speed at which the institution's deposit operations must be resumed following failure. In most instances, larger institutions are considerably more complex, have more deposit accounts, are more geographically dispersed and have more diverse systems and data-integration issues than small institutions.

Under the final rule, on a case-by-case basis and in consultation with the Covered Institution's primary federal regulator, the FDIC can accelerate the implementation timeframe for Covered Institutions that are "troubled". That is, a Covered Institution that either: (1) has a composite rating of 3, 4 or 5 under the Uniform Financial Institutions Rating System (commonly referred to as CAMELS) or (2) is undercapitalized as defined for purposes of the prompt corrective action rules. In determining the accelerated implementation timeframe for such institutions, the FDIC would be required to consider such factors as the: (1) complexity of the institution's deposit systems and operations; (2) extent of asset quality difficulties; (3) volatility of funding sources; (4) expected near-term changes in capital levels; and (5) other relevant factors appropriate for the FDIC to consider in its roles as insurer and possible receiver of the institution.

2. Use of Information Collected

Provisional holds: Under the final rule, Covered Institutions are required to have in place an automated process for implementing provisional holds concurrent with or immediately following the daily deposit account processing on the day of failure. After completion of the failed institution's final daily processing, the Successor Institution places provisional holds on selected deposit accounts. Provisional holds, once posted, allow depositors access to the remaining balance in their accounts the day following failure, yet guard against the possibility of an uninsured depositor or unsecured general creditor receiving more than allowed under deposit insurance rules or the depositor preference statute. The FDIC uses a standard set of depositor and customer data to make deposit insurance determinations. These determinations are provided to the Successor Institution shortly after failure.

The generation of deposit account and customer data in a standard structure: A Covered Institution is required to have in place practices and procedures to provide the FDIC with required depositor and customer data in a standard format following the close of any day's business. Covered Institutions are not required to collect or generate new depositor or customer information. Instead, the standard data files are created through a mapping of pre-existing data elements and internal institution codes into standard data formats. The standard data files would be used in the period immediately before and after a Covered Institution's failure to calculate the amount of deposit insurance coverage and to identify the least costly of all possible resolution transactions. The FDIC conduct infrequently at institutions that do not make major changes to their deposit systems—perhaps only once every three-to-five years.

3. Use of Technology to Reduce Burden

Insured depository institutions provide deposit account information via electronic file.

4. Efforts to identify duplication

The information sought in this collection is not duplicated elsewhere.

5. Minimizing Burden on Small Entities

The final rule applies to the largest banks only. It does not impose any burden on small entities.

6. Consequences of Less Frequent Collections

Section 360.9 requires the largest insured depository institutions to adopt mechanisms that would, in the event of the institution's failure, provide the FDIC with standard deposit account and customer information and allow the FDIC to place and release holds on liability accounts, including deposits. Thus, Covered Institutions are required to have the mechanisms in place and are subject to periodic testing, but the collection would be accessed only when a large bank is close to failing.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

A 60-day notice seeking public comment on the FDIC's renewal of the information collection was published on January 22, 2015 (80 FR 3233). No comments were received.

9. Payment or Gift to Respondents

No payments are made to respondents.

10. Confidentiality

No individual bank or customer information will be made available outside the FDIC. In addition, to protect financial privacy, the FDIC's testing process would not require that Covered Institutions transmit ***any*** sensitive customer data outside of the institution's premises. Therefore, all testing involving any sensitive customer data would be conducted on the institution's premises.

11. Questions of a sensitive nature

No questions of a sensitive nature are involved.

12. Estimate of Annualized Burden and Associated Costs

	Type of Burden	Obligation to Respond	Average Estimated Number of Respondents	Estimated Time per Response	Frequency of Response	Average Total Annual Estimated Burden
Implementation						
Posting and removing provisional holds – 360.9(c)(1) and (2)	Recordkeeping	Mandatory	8	150 hours	One time	1,200 hours
Providing standard	Recordkeepin	Mandator	8	110	One time	880 hours

data format for deposit account and customer information – 360.9(d)(1)	g	y		hours		
Notification of identity of person responsible for producing standard data downloads – 360.9(c)(3)	Reporting	Mandatory	8	8 hours	One time	64 hours
Request for exemption from provisional hold requirements – 360.9(c)(9)	Reporting	Voluntary	1	20 hours	On occasion	20 hours
Provide deposit account and customer information in required standard format – 360.9(d)(3)	Reporting	Mandatory	8	40 hours	On occasion	320 hours
Request for extension of compliance deadline – 360.9(e)(7)	Reporting	Voluntary	1	20 hours	On occasion	20 hours
Request for exemption – 360.9(f)	Reporting	Voluntary	1	20 hours	On occasion	20 hours
Total Implementation Burden						2,524 hours
Ongoing						
Notification of identity of person responsible for producing standard data downloads – 360.9(c)(3)	Reporting	Mandatory	153	8 hours	On occasion	1,224 hours
Request for exemption from provisional hold requirements – 360.9(c)(9)	Reporting	Voluntary	1	20 hours	On occasion	20 hours
Request for exemption – 360.9(f)	Reporting	Voluntary	1	20 hours	On occasion	20 hours
Test compliance with	Reporting	Mandator	81	80 hours	On	6,480 hours

360.9(c)-(d) pursuant to 360.9(h)		y			occasion	
Total Ongoing Burden						7,744 hours
Total Estimated Annual Burden						10,268 hours

The regulation applies only to covered institutions[2] and imposes the following recordkeeping and reporting requirements:

Recordkeeping -

360.9(c)(1) and (2) – *Posting and Removing Provisional Holds.* Covered institutions must have an automatic process for placing a provisional hold on deposit accounts within timeframes specified in FDIC regulations.

360.9(d)(1) and (2) – *Providing Standard Data Format for Deposit Account and Customer Information.* Covered institutions must produce information in the specified standard data format.

Reporting –

360.9(c)(3) – Covered institutions must notify the FDIC of the person(s) responsible for producing required standard data downloads and for administering provisional holds.

360.9(c)(9) – A covered institution may request an exemption from the provisional hold requirements for certain account systems servicing a relatively small number of accounts where manual application of provisional holds is feasible.

360.9(d)(3) – Upon request by the FDIC, a covered institution must submit the data required by 360.9(d)(1) .

360.9(e)(7) – A covered institution may request an extension of the deadline to comply with provisional hold and standard data format requirements.

360.9(f) - A covered institution may request an exemption from the provisional hold and standard data format requirements due to high concentration of deposits incidental to credit card operations.

[2] Insured depository institutions having at least $2 billion in deposits and at least either: (a) 250,000 deposit accounts; or (b) $20 billion in total assets, regardless of the number of deposit accounts.

360.9(h) – A covered institution's compliance with the recordkeeping and reporting requirements set forth in the rule will be tested by the FDIC.

13. Operation /Maintenance Costs

On-going costs for testing, maintenance and other periodic items is estimated to range between $6,000 and $13,000 for those Covered Institutions using software or servicing provided by a vendor. For super-regional organizations on-going costs are estimated to be between $150,000 and $250,000. The largest, most complex Covered Institution was estimated to have on-going costs as high as $500,000 per year. Overall, on-going industry cost estimates ranged from $4 million to $6.5 million. Placed in context, this is 0.8 to 1.4 percent of a one basis point assessment against the deposits of Covered Institutions. This analysis assumes an hourly cost of $160 for Covered Institutions.

14. Annualized cost to the Federal Government

None.

15. Reason for Change in burden

The FDIC is revising its burden estimate because the number of covered institutions has decreased due to economic fluctuations and most covered institutions have already implemented the requirements of the regulation and will only face reduced ongoing compliance burdens. Based on FDIC Call Report data[3], the regulation currently applies to 145 institutions. The FDIC has determined that in the past, between 1 and 3 new institutions per quarter have become covered under the regulation. FDIC estimates that on average, 2 new institutions per quarter (8 new institutions per year) will become covered and be subject to initial implementation burden. The following table reflects the FDCI's estimate of the breakdown of covered institutions facing implementation and ongoing burden during the next three years:

Number of Institutions				
	Year 1	Year 2	Year 3	Average
Implementation	8	8	8	8
Ongoing	145	153	161	153
Total	153	161	169	161

All covered institutions will be required to comply with the requirements of 360.9(h). FDIC estimates that half of the covered institutions will be tested for compliance each year. As a result, it is estimated that an average of 81 covered institutions will be affected by this reporting burden

[3] FDIC Call Report, September 30, 2017

annually. No institutions have requested an extension under section 360.9(e)(7), or exemptions under sections 360.9(c)(9) or 360.9(f). The "Summary of Annual Burden" table above lists a respondent count of 1 for these requests as placeholders to preserve the burden estimates for these activities.

16. Publication

There will be no publication.

17. Display of expiration date

Not applicable.

18. Exceptions to certification

No exceptions.

B. STATISTICAL METHODS

Not applicable.