SUPPORTING STATEMENT

Advanced Capital Adequacy Framework Regulatory Reporting Requirements

FFIEC 101

(OMB No. 3064-0159)

**SUMMARY**

The Federal Deposit Insurance Corporation (FDIC) requests approval from the Office of Management and Budget (OMB) to revise the Federal Financial Institutions Examination Council (FFIEC) Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework[[1]](#footnote-1) (FFIEC 101; OMB No. 3064-0159) under the emergency clearance provisions of OMB’s regulations. (See the discussion of “Proposed Revisions That are the Subject of This Proposal” in Section 1 below.) This report must be filed quarterly by certain large or internationally active banks, savings associations, bank holding companies (BHCs), savings and loan holding companies (SLHCs), intermediate holding companies (IHCs),[[2]](#footnote-2) and also for those banks that adopt the Advanced Capital Adequacy Framework on a voluntary basis. The revisions to the FFIEC 101 that are the subject of this request have been approved by the FFIEC, of which the FDIC, the Federal Reserve Board (FRB), and Office of the Comptroller of the Currency (OCC) (the agencies) are members. The FRB and the OCC have also submitted a similar request for OMB review to request this information from the banks under their supervision.

The Federal Deposit Insurance Act (FDI Act) and the International Lending Supervision Act of 1983 (ILSA) require the agencies to have risk-based capital requirements and to ensure that banks maintain adequate capital. The FDIC uses the data reported in the FFIEC 101 to assess and monitor the levels and components of each reporting entity’s risk-based capital requirements and the adequacy of the entity’s capital under the framework. These data also allow the FDIC to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the financial industry. The reporting schedules also assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the framework. The submitted data that are released publicly also provide other interested parties with information about banks’ risk-based capital. Finally, the submitted data supplement on-site examination processes.

The FDIC proposes to revise the FFIEC 101 to allow institutions subject to the advanced approaches rule to estimate and report high volatility commercial real estate (HVCRE) exposures on Schedules B and G of the FFIEC 101 in a manner consistent with Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). These revisions would be effective for the June 30, 2018, report date. The current total annual burden for the FFIEC 101 is estimated to be 5,392 hours and would remain unchanged based on the proposed revisions.

## JUSTIFICATION

1. Circumstances and Need

The U.S. implementation of the Advanced Capital Adequacy Framework was initially detailed in the agencies’ Risk Based Capital Standards: Advanced Capital Adequacy Framework – Basel II. This final rule was published on December 7, 2007 (72 FR 69288), and became effective April 1, 2008. The Basel II final rule includes an advanced internal ratings-based approach for calculating regulatory credit risk capital and advanced measurement approaches for calculating regulatory operational risk capital. The agencies approved revisions to the Advanced Capital Adequacy Framework as part of their comprehensive revisions to the regulatory capital rules adopted in July 2013: 78 FR 62018, October 11, 2013 (FRB and OCC); 78 FR 55340, September 10, 2013 (FDIC). These revisions took effect for advanced approaches institutions on January 1, 2014.

A bank must apply the Advanced Capital Adequacy Framework, as revised, if it:

(i) Has consolidated total assets (excluding assets held by an insurance underwriting subsidiary) on its most recent year-end regulatory report equal to $250 billion or more;

(ii) Has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to $10 billion or more (excluding exposures held by an insurance underwriting subsidiary);

(iii) Is a subsidiary of a depository institution that uses the Advanced Capital Adequacy Framework to calculate its total risk-weighted assets;

(iv) Is a subsidiary of a bank holding company or savings and loan holding company that uses the Advanced Capital Adequacy Framework its total risk-weighted assets; or

(v) Elects to use the Advanced Capital Adequacy Framework to calculate its total risk-weighted assets.

Such an institution must begin reporting on the FFIEC 101, Schedule A, except for a few specific line items, at the end of the quarter after the quarter in which the institution triggers one of the four threshold criteria for applying the Advanced Capital Adequacy Framework or elects to use the framework (an opt-in institution), and must begin reporting data on the remaining schedules of the FFIEC 101 at the end of the first quarter in which the institution has begun its parallel run period.

A fundamental aspect of the Advanced Capital Adequacy Framework is the use of a bank’s internal risk estimates for many of the parameters used to derive risk-weighted assets. The FFIEC 101 report provides the agencies and, to a limited extent, the public a basis for comparing the main risk estimates (on an aggregated basis) that underlie a bank’s risk-based capital measures across institutions and over time.

In September 2014, the agencies approved a final rule revising the definition of the denominator of the supplementary leverage ratio (SLR) (i.e., total leverage exposure) that had been adopted in July 2013 as part of comprehensive revisions to the agencies’ regulatory capital rules.[[3]](#footnote-3) The final rule revised total leverage exposure as defined in the 2013 rule to include the effective notional principal amount of credit derivatives and other similar instruments through which a banking organization provides credit protection (sold credit protection); modified the calculation of total leverage exposure for derivative and repo-style transactions; and revised the credit conversion factors applied to certain off-balance sheet exposures. The final rule also changed the frequency with which certain components of the SLR are calculated and establishes public disclosure requirements for certain items associated with the SLR. The final rule was effective January 1, 2015.

All banking organizations subject to the advanced approaches rule must report SLR data in SLR Tables 1 and 2 of FFIEC 101 Schedule A unless the banking organization is:

(i) a consolidated subsidiary of a bank holding company, savings and loan holding company, or depository institution that is subject to the disclosure requirements in Table 13 of section 173 of the advanced approaches rule, or

(ii) a subsidiary of a non-U.S. banking organization that is subject to comparable public disclosure requirements in its home jurisdiction.

Proposed Revisions That are the Subject of This Proposal ‒ The agencies propose under the emergency clearance provisions of OMB’s regulations to revise the FFIEC 101 for the June 30, 2018, report date. The agencies have determined that (1) the collection of information within the scope of this request is needed prior to the expiration of time periods established under 5 CFR 1320.10, (2) this collection of information is essential to the mission of the agencies, and (3) the agencies cannot reasonably comply with the normal clearance procedures because an unanticipated event has occurred and the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.

These revisions arise from Congressional enactment of the EGRRCPA. Section 214 of EGRRCPA requires the agencies to revise the definition of HVCRE exposures that institutions use to calculate risk-weighted assets and, hence, risk-based capital ratios. This provision became effective when the law was signed on May 24, 2018.

The agencies must receive data from the quarterly FFIEC 101 report to assess and monitor the levels and components of each reporting entity’s risk-based capital requirements and the adequacy of the entity’s capital under the framework. The next reports are due at varying dates through the end of August 2018 based on information as of June 30, 2018. In order for the agencies to implement Section 214 as required by law, the agencies cannot comply with the normal clearance process and still receive the June 30, 2018, financial data in a timely manner.

With respect to the HVCRE exposures that are the subject of this submission, Section 214 of EGRRCPA adds a new Section 51 to the Federal Deposit Insurance Act governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. The agencies may only require a depository institution to assign a heightened risk weight to an HVCRE exposure if such exposure is an “HVCRE ADC Loan,” as defined in Section 214 of EGRRCPA.

Section 214 of EGRRCPA also impacts “HVCRE ADC Loans” on the Consolidated Reports of Condition and Income (Call Report)[[4]](#footnote-4) and FR Y-9C,[[5]](#footnote-5) and the proposed revisions described herein are also being proposed or implemented for the Call Report and FR Y-9C. To avoid the regulatory burden associated with applying different definitions for HVCRE exposures within a single organization, the agencies propose to allow an institution subject to the advanced approaches rule to estimate and report HVCRE exposures on Schedules B and G of the FFIEC 101 using the definition under Section 214 effective for the June 30, 2018, report date. Institutions may refine their estimates in good faith as they obtain additional information, but they will not be required to amend FFIEC 101 reports previously filed for report dates on or after June 30, 2018, as these estimates are adjusted. Alternatively, institutions may report HVCRE exposures in a manner consistent with the current definition contained in the agencies’ regulatory capital rules until the agencies take further action.

2. Use of Information Collected

The FFIEC 101 reporting requirements entail the quarterly collection of detailed information, encompassing up to approximately 2,700 data elements on nineteen schedules, that pertains to the main components of a respondent bank’s regulatory capital and risk-weighted asset calculations under the Basel II final rule as revised by the agencies in 2013 (and in 2014 for the revised supplementary leverage ratio). The FDIC uses the information collected through these reporting requirements in the following ways:

* To assess and monitor the levels and components of each reporting bank’s regulatory capital requirements and the adequacy of the bank’s capital under the Advanced Capital Adequacy Framework and the revised supplementary leverage ratio;
* To evaluate the impact and competitive implications of the Advanced Capital Adequacy Framework on individual reporting banks and on an industry-wide basis; and
* To supplement on-site examination processes at individual reporting banks.

The reporting schedules also assist banks in understanding expectations around the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework. Submitted FFIEC 101 report data that are released publicly on an individual institution basis also provide other interested parties with information about advanced approaches institutions’ regulatory capital.

By incorporating the complete international leverage ratio common disclosure template into SLR Tables 1 and 2 of FFIEC 101 Schedule A, the agencies also ensure transparency and comparability of reporting of regulatory capital elements among internationally active banks.

3. Use of Technology to Reduce Burden

All reporting banks submit their completed reports electronically using the Federal Reserve’s Reporting Central application.

4. Efforts to Identify Duplication

There is no other report that collects information pertaining to a bank’s regulatory capital calculations under the Advanced Capital Adequacy Framework at the insured institution level. The Basel II final rule requires certain related public disclosures (referred to as Pillar 3 disclosures) at the consolidated holding company level. However, the regulatory reporting requirements in the FFIEC 101 report are generally more detailed than Pillar 3 disclosures, requiring reporting of greater detail about aggregated risk estimates underlying the calculation of a bank’s risk-based capital ratios, and are also more standardized in terms of the breakdown of reported portfolio exposures and reported ranges of risk estimates. In addition, while the regulatory reporting requirements apply to large, internationally active organizations and their depository institution subsidiaries, the Pillar 3 disclosures are not made by these subsidiary institutions. Thus, the Pillar 3 disclosures would not be an acceptable substitute for the Advanced Capital Adequacy Framework Regulatory Reporting Requirements.

Tables 1 and 2 of FFIEC 101 Schedule A collect information related to the agencies’ SLR disclosures required in Table 13 of section 173 of the advanced approaches rule. Completing the FFIEC 101 items for the SLR satisfies a bank’s requirement to disclose Table 13 and thereby avoids duplication.

5. Minimizing the Burden on Small Banks

Organizations that are subject to the Advanced Capital Adequacy Framework on a mandatory basis are large ($250 billion or more in consolidated assets) and internationally active organizations ($10 billion or more in consolidated on-balance sheet foreign exposures) and their depository institution subsidiaries. As a consequence, the advanced approaches rule, and the corresponding FFIEC 101 reporting requirements, have limited applicability to small institutions, including the approximately 2,900 FDIC-supervised institutions with assets of $550 million or less.

6. Consequences of Less Frequent Collection

Less frequent reporting would reduce the ability of the FDIC to identify and respond in a timely manner to noncompliance with minimum regulatory capital ratios, adverse risk trends that become apparent in the forward-looking risk estimates reported by respondents, and evidence of risk estimates that call into question the accuracy of a bank’s capital calculation or place other institutions with similar types of exposures at a competitive disadvantage. To be most useful as an off-site analytical tool, these reports are intended to correspond to the frequency and timing of other regulatory submissions including the Call Report and the FRB’s Bank Holding Company FR Y-9C report.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

The FDIC coordinated and consulted with the FRB and the OCC in proposing these revisions. The agencies will follow this request for emergency processing with a request under normal clearance procedures, during which comments will be solicited for the typical 60-day and 30-day periods. All comments received on paperwork burden, whether during the 60-day or 30-day comment periods, will be considered in finalizing the collection.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

All data submitted in the FFIEC 101 report is shared among the agencies but, pursuant to 5 U.S.C. § 552(b)(4) and (8), these data will not be released to the public except as follows.

For report dates before a reporting institution has completed its parallel run period, FFIEC 101 Schedule A will be available to the public, except for items 78 (total eligible credit reserves calculated under the advanced approaches rules); 79 (amount of eligible credit reserves includable in tier 2 capital); 86 (expected credit loss that exceeds eligible credit reserves); 87 (advanced approaches risk-weighted assets); 88 (common equity tier 1 capital ratio calculated using the advanced approaches); 89 (additional tier 1 capital ratio calculated using the advanced approaches); and 90 (total capital ratio using the advanced approaches).

For report dates after a reporting institution has completed its parallel run period, all items reported in Schedules A and B (except for the EAD information related to CVAs reported in Schedule B, items 31.a and 31.b, column D, which the agencies are proposing to remove from the FFIEC 101) and items 1 and 2 of Schedule S are available to the public.

To ensure transparency of regulatory capital data reported by internationally active banking organizations, the agencies make public the SLR information collected in SLR Tables 1 and 2 of FFIEC 101 Schedule A, regardless of a reporting institution’s parallel run status.

11. Information of a Sensitive Nature

The FFIEC 101 report contains no questions of a sensitive nature.

12. Estimate of Annualized Burden

The current total annual burden for the FFIEC 101 is estimated to be 5,392 hours for FDIC-supervised banks and this estimate would remain unchanged based on the proposed revisions, which are limited to the change in the definition of HVCRE exposures.

There are currently 2 FDIC‑supervised institutions that are required to submit the FFIEC 101 report each quarter. The total estimated annual reporting burden for these banks is 5,392 hours. This estimate reflects considerations pertaining to the time required to complete other types of regulatory reports as well as the greater level of detail required in the FFIEC 101 report relative to other regulatory submissions.

The annual recurring salary and employee benefit cost to the FDIC-supervised institutions that are subject to the FFIEC 101 reporting requirements for the burden hours shown above is estimated to be $943,600. This cost is based on the application of an hourly rate of $175 to the estimated 5,392 total hours of annual reporting burden, which considers the specialized technical skills in the fields of credit risk and operational risk of those bank staff members involved in implementing the Advanced Capital Adequacy Framework who are responsible for completing the regulatory reporting requirements as well as time spent by executive officers responsible for reviewing and approving the completed FFIEC 101 report prior to submission.

13. Estimate of Total Annual Cost Burden

None. Under the Advanced Capital Adequacy Framework, banks are required to maintain a significant volume of information to support the risk estimates used in the calculation of regulatory capital in accordance with these regulatory capital rules. There are certain additional costs (excluding costs included in Item 12 above) associated with implementing the framework’s advanced approaches and the FFIEC 101 reporting requirements relating to developing and maintaining software, data systems, and data processing capabilities. It is difficult to develop estimates of capital and start-up costs as well as operation and maintenance/purchase of services costs that distinguish between those pertaining to these reporting requirements and those related to satisfying the requirements of the Advanced Capital Adequacy Framework.[[6]](#footnote-6) The agencies did not receive any comments on start-up or operation and maintenance costs with respect to the FFIEC 101 reporting requirements when they were first published for comment[[7]](#footnote-7) or when they requested comment in connection with previous revisions to the FFIEC 101 report. The agencies did not receive any comments on the proposed revisions that are the subject of this submission.

14. Estimate of Total Annual Cost to the Federal Government

None. Data submissions are received and processed by the Federal Reserve using its Reporting Central application as the data processing platform. The FDIC does not incur material incremental costs in connection with the collection of these data.

15. Reason for Change in Burden

There is no change in burden. As discussed in Item 12 above, the proposed revisions to the FFIEC 101 report that are the subject of this submission are not expected to produce a change in the reporting burden of completing the FFIEC 101 report, which is currently estimated at 674 hours per quarter for FDIC-supervised institutions. In addition, 2 FDIC-supervised institutions currently are subject to the FFIEC 101 reporting requirements, which is unchanged from the number of such institutions in the currently approved information collection inventory for this report. A comparison of the burden requested in this submission with the currently approved burden is as follows:

Currently approved burden 5,392 hours

Revisions to content of report (program change) ± 0 hours

Adjustment (change in use) ± 0 hours

Requested burden: 5,392 hours

Net change in burden: ± 0 hours

16. Publication

The information collected in the FFIEC 101 report is intended primarily to meet the supervisory and policy needs of the FDIC and the other agencies. As such, the majority of the reported items are afforded confidential treatment. As discussed in Section 10 above, for report dates before a reporting institution has completed its parallel run period, most of the data items in Schedule A–Advanced Approaches Regulatory Capital (including SLR Tables 1 and 2, if applicable), are made available to the public through the Internet on an individual bank basis. In addition, for report periods after the reporting institution completes its parallel run, all items reported in Schedule A–Advanced Approaches Regulatory Capital (including SLR Tables 1 and 2, if applicable) and Schedule B–Summary Risk-Weighted Asset Information) and items 1 and 2 of Schedule S–Operational Risk are available to the public on an individual bank basis.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

1. See the advanced approaches risk-based capital rule: 12 CFR part 3, subpart E (Office of the Comptroller of the Currency); 12 CFR part 217, subpart E (Federal Reserve Board); and 12 CFR part 324, subpart E (FDIC). [↑](#footnote-ref-1)
2. For simplicity, and unless otherwise indicated, the term “bank” includes banks, savings associations, bank holding companies, savings and loan holding companies, and intermediate holding companies. [↑](#footnote-ref-2)
3. See 79 FR 57725 (September 26, 2014). [↑](#footnote-ref-3)
4. OMB No. for the FDIC: 3064-0052; OMB No. for the FRB: 7100-0036; OMB No. for the OCC: 1557-0081. [↑](#footnote-ref-4)
5. Consolidated Financial Statements for Holding Companies (FR Y-9C); OMB No. for the FRB: 7100-0128. [↑](#footnote-ref-5)
6. See 72 FR 69392, December 7, 2007, for a discussion of cost estimates of implementing the original Basel II final rule. [↑](#footnote-ref-6)
7. See 71 FR 55981, September 25, 2006. [↑](#footnote-ref-7)