

**Supporting Statement for the
Financial Statements for Holding Companies
(FR Y-9; OMB No. 7100-0128)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), has revised the Financial Statements for Holding Companies (FR Y-9; OMB No. 7100-0128) pursuant to its authority to temporarily approve of a collection of information without providing opportunity for public comment.¹ This information collection is comprised of the following reporting forms:

- Consolidated Financial Statements for Holding Companies (FR Y-9C),
- Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP),
- Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP),
- Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and
- Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Board requires bank holding companies, savings and loan holding companies, securities holding companies, and U.S. intermediate holding companies (collectively holding companies (HCs)) to provide standardized financial statements to fulfill the Board's statutory obligation to supervise these organizations. HCs file the FR Y-9C and FR Y-9LP quarterly, the FR Y-9SP semiannually, the FR Y-9ES annually, and the FR Y-9CS on a schedule that is determined when this supplement is used.

The Board has temporarily revised the FR Y-9C effective for reports reflecting the June 30, 2018, report date by adjusting the definitions of reciprocal deposits brokered deposits, and high volatility commercial real estate (HVCRE) exposures that institutions use to calculate risk-weighted assets and, hence, risk-based capital ratios. These changes are consistent with proposed changes to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). No changes are proposed for the FR Y-9LP, FR Y-9SP, FR Y-9ES, or FR Y-9CS. The total annual reporting burden for the FR Y-9 reports is estimated to be 179,845 hours and would remain unchanged.

Background and Justification

The FR Y-9C, FR Y-9LP, and FR Y 9SP serve as standardized financial statements for the consolidated HC; the FR Y-9ES is a financial statement for HCs that are Employee Stock Ownership Plans (ESOPs). The Board uses the FR Y-9CS (a free-form supplement) to collect additional information deemed to be critical and needed in an expedited manner. The next reports are due by of August 24, 2018, based on information as of June 30, 2018.

¹ See 5 CFR part 1320, App.A(1)(a)(3)(A).

The FR Y-9 reporting forms continues to be the primary source of financial data on HCs that examiners rely on between on-site inspections. Financial data from these reporting forms is used to detect emerging financial problems, review performance, conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate HC mergers and acquisitions, and analyze an HC's overall financial condition to ensure the safety and soundness of its operations.

Description of Information Collection

The FR Y-9C consists of standardized financial statements similar to the Call Reports filed by commercial banks. It collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of \$1 billion or more.²

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each HC that files the FR Y-9C. In addition, for tiered HCs, a separate FR Y-9LP must be filed for each lower-tier HC.

The FR Y-9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than \$1 billion. This report is designed to obtain basic balance sheet and income data for the parent company, and data on its intangible assets and intercompany transactions.

The FR Y-9ES collects financial data annually from ESOPs that are also HCs on their benefit plan activities. It consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The FR Y-9CS is a supplemental report that the Board may utilize to collect additional data deemed to be critical and needed in an expedited manner from HCs. The data are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports, which are used to monitor HCs between on-site inspections. The data items included on the FR Y-9CS may change as needed.

Adopted Revisions

The Board has revised the FR Y-9C report effective beginning with the June 30, 2018, report date. As described further below, the revisions arise from Congressional enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The Board has revised the FR Y-9C to reflect section 202 of EGRRCPA, which amends the definitions of reciprocal brokered deposits and brokered deposits. Section 214 of EGRRCPA provides that the Board may only require a depository institution, when calculating its risk-weighted assets and, hence, its risk-based capital ratios, to assign a heightened risk weight to an HVCRE exposure if the exposure meets certain conditions. So that holding companies report in a manner consistent with their subsidiary depository institutions, the Board is implementing this revision to the FR Y-9C.

² Under certain circumstances described in the General Instructions, HCs with assets under \$1 billion may be required to file the FR Y-9C.

In order for the FR Y-9C to reflect sections 202 and 214 of EGRRCPA, which became effective immediately when EGRRCPA was signed on May 24, 2018, the Board cannot comply with the normal clearance process and still receive the June 30, 2018, financial data in a timely manner. Therefore, the Board has determined that the revisions to the FR Y-9C described above must be instituted quickly and public participation in the approval process would substantially interfere with the Board's ability to perform its statutory obligations arising from EGRRCPA.

Reciprocal Deposits

Section 202 of EGRRCPA amends section 29 of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1831f) to exclude a capped amount of reciprocal deposits from treatment as brokered deposits for qualifying institutions. Section 202 also defines "reciprocal deposits" to mean "deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks." The terms "agent institution," "deposit placement network," "covered deposit," and "network member bank," all of which are used in the definition of "reciprocal deposit," also are defined in section 202.

In particular, an "agent institution" is an Federal Deposit Insurance Corporation (FDIC)-insured depository institution that meets at least one of the following criteria:

- The institution is well-capitalized and has a composite condition of "outstanding" or "good" when most recently examined under section 10(d) of the FDI Act (12 U.S.C. 1820(d)),
- The institution has obtained a waiver from the FDIC to accept, renew, or roll over brokered deposits pursuant to section 29(c) of the FDI Act (12 U.S.C. 1831f(c)), or
- The institution does not receive reciprocal deposits in an amount that is greater than a "special cap" (discussed below).

Under the "general cap" set forth in section 202, an agent institution may classify reciprocal deposits up to the lesser of the following amounts as non-brokered reciprocal deposits:

- \$5 billion or
- An amount equal to 20 percent of the agent institution's total liabilities.

Any amount of reciprocal deposits in excess of the "general cap" would be treated as, and should be reported in the FR Y-9C as, brokered deposits.

A "special cap" applies if an agent institution is either not "well-rated" or not well-capitalized. In this situation, the institution may classify reciprocal deposits as non-brokered in an amount up to lesser of the "general cap" or the average amount of reciprocal deposits held at quarter-end during the last four quarters the institution was well-capitalized and in "outstanding" or "good" condition.

The current FR Y-9 instructions, consistent with the law prior to the enactment of EGRRCPA, treat all reciprocal deposits as brokered deposits. The Board has revised the FR Y-9C to allow institutions to report pursuant to the new law for the June 30, 2018, report date by applying the newly defined terms and other provisions of section 202 of EGRRCPA to

determine whether an institution and its reciprocal deposits are eligible for the statutory exclusion from being treated as brokered deposits. Qualifying institutions may use available information to then reasonably estimate and report as brokered deposits (in Schedule HC-E, Memorandum items 1 and 2), only those reciprocal deposits that are still considered brokered deposits under the new law.

Alternatively, when reporting as of June 30, 2018, institutions may continue to report reciprocal deposits in Schedules HC-E consistent with the current FR Y-9C instructions (i.e., those instructions in effect prior to passage of EGRRCPA).

The Board will issue additional instructions regarding the application of section 202 to reciprocal deposits for purposes of reporting in the FR Y-9C effective for the September 30, 2018, report date, including revising the existing instructions for the brokered deposit items in Schedule HC-E.

HVCRE

Section 214 of EGRRCPA adds a new section 51 to the FDI Act governing the risk-based capital requirements for certain acquisition, development, or construction (ADC) loans. EGRRCPA provides that the Board 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. Accordingly, an institution is permitted to risk weight at 150 percent only those commercial real estate exposures it believes meet the statutory definition of an “HVCRE ADC Loan.”

So that HCs report in a manner consistent with their subsidiary depository institutions, the Board is implementing this revision to the FR Y-9C. When reporting HVCRE exposures in the FR Y-9C regulatory capital schedule (Schedule HC-R) as of June 30, 2018, and subsequent report dates, institutions may use available information to reasonably estimate and report only “HVCRE ADC Loans” held for sale and held for investment in Schedule HC-R, Part II, items 4.b and 5.b, respectively. Any “HVCRE ADC Loans” held for trading would be reported in Schedule HC-R, Part II, item 7. The portion of any “HVCRE ADC Loan” that is secured by collateral or has a guarantee that qualifies for a risk weight lower than 150 percent may continue to be assigned a lower risk weight when completing Schedule HC-R, Part II. Institutions may refine their estimates of “HVCRE ADC Loans” in good faith as they obtain additional information, but they will not be required to amend FR Y-9C previously filed for report dates on or after June 30, 2018, as these estimates are adjusted.

Alternatively, institutions may continue to report and risk weight HVCRE exposures in a manner consistent with the current FR Y-9C instructions for Schedule HC-R, Part II, until the agencies take further action.

Frequency

The Board has made no changes to the reporting frequency for the FR Y-9 reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Board.

Time Schedule for Information Collection and Publication

The FR Y-9C and FR Y-9LP are filed quarterly as of the last calendar day of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the last calendar day of June and December. The filing deadline for the FR Y-9SP is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31 and the filing deadline is July 31, unless an extension is granted for filing by October 15.

The data from the FR Y-9 reports that are not given confidential treatment are available to the public on the FFIEC website: www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx.

Legal Status

The FR Y-9 reports are authorized by section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)), section 10 of Home Owners' Loan Act (12 U.S.C. 1467a(b)), section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 1850a(c)(1)), and section 165 of the Dodd-Frank Act (12 U.S.C. 5365). These reports are mandatory.

With respect to FR Y-9LP, FR Y-9SP, FR Y-ES, and FR Y-9CS, as well as most items on the FR Y-9C, the information collected would generally not be accorded confidential treatment. If confidential treatment is requested by a respondent, the Board will review the request to determine if confidential treatment is appropriate.

With respect to FR Y-9C, Schedule HI, item 7(g) "FDIC deposit insurance assessments," Schedule HC-P, item 7(a) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to U.S. government agencies and government sponsored agencies," and Schedule HC-P, item 7(b) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to other parties" are considered confidential. Such treatment is appropriate because the data is not publicly available and could cause substantial harm to the competitive position of the respondent. The public release of this confidential data may impair the Board's future ability to collect similarly confidential data. Thus, this information may be kept confidential under exemptions (b)(4) of the Freedom of Information Act, which exempts from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential" (5 U.S.C. 552(b)(4)), and (b)(8) of the Freedom of Information Act, which exempts from disclosure information related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or

supervision of financial institutions (5 U.S.C. 552(b)(8)). If confidential treatment is requested by a respondent for other items in the FR Y-9C, the Board will review the request to determine if confidential treatment is appropriate.

Consultation Outside the Agency

The Board coordinated and consulted with the FDIC and Office of the Comptroller of the Currency in adopting these revisions. The Board will follow this temporary approval with a review under normal clearance procedures, during which comments will be solicited for the typical 60-day period. All comments received on paperwork burden will be considered in finalizing the collection.

Estimate of Respondent Burden

As shown in the table below, the current annual burden for the FR Y-9 reports is estimated to be 179,845 hours and would remain unchanged. These reporting requirements represent 1.7 percent of the Board’s total paperwork burden.

FR Y-9	<i>Number of respondents³</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR Y-9C – non AA HCs	638	4	46.29	118,132
FR Y-9C – AA HCs	18	4	47.54	3,423
FR Y-9LP	775	4	5.27	16,337
FR Y-9SP	3,837	2	5.40	41,440
FR Y-9ES	82	1	0.50	41
FR Y-9CS	236	4	0.50	472
	<i>Total</i>			179,845

The total cost to the public is estimated to be \$10,080,312 for the FR Y-9 reports.⁴

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

³ Of these respondents, 3,750 are considered small entities (6 FR Y-9C, 528 FR Y-9LP, 3,329 FR Y-9SP, and 82 FR Y-9ES) as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/document/support-table-size-standards. Respondent count is as of March 31, 2018, for the FR Y-9C FR Y-9LP, and December 31, 2017, for the FR Y-9SP. The FR Y-9ES count is an estimate based on current NIC structure, and the FR Y-9CS count is based on the last use of the report.

⁴ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). 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 2017*, published March 30, 2018, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System is estimated to be \$2,335,200.