SUPPORTING STATEMENT

Advanced Capital Adequacy Framework Regulatory Reporting Requirements

FFIEC 101

(OMB No. 3064-0159)

**INTRODUCTION**

The FDIC is requesting Office of Management and Budget (OMB) approval for a three-year extension, with revision, of the quarterly regulatory reporting requirements established by the Federal Financial Institutions Examination Council (FFIEC) for banks, savings associations, bank holding companies, savings and loan holding companies, and U.S. intermediate holding companies that must apply the advanced approaches risk-based capital rule (Advanced Capital Adequacy Framework or advanced approaches rule) for regulatory capital purposes.[[1]](#footnote-1) Such institutions are referred to as advanced approaches institutions and must submit the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC) are also submitting requests to OMB for a three-year extension, with revision, of the FFIEC 101 for the advanced approaches institutions under their supervision. The FFIEC, of which the FDIC, the FRB, and the OCC (collectively, the agencies) are members, has approved the proposed revisions to the FFIEC 101 reporting requirements.

In summary, the agencies are proposing to revise the FFIEC 101 in response to the agencies’ recently approved final rule on the implementation of the new accounting standard that introduced the current expected credit losses methodology for estimating credit losses[[2]](#footnote-2) and the related transition for regulatory capital (CECL final rule).[[3]](#footnote-3) The proposed revisions to the FFIEC 101 related to the CECL final rule, which affect the instructions for this report, would take effect beginning March 31, 2019. In addition, this submission includes a separate instructional revision to the FFIEC 101 resulting from Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), effective upon enactment on May 24, 2018, that affects the information reported in this report and for which the agencies submitted emergency review requests to OMB that OMB has approved.

## A. JUSTIFICATION

1. Circumstances that make the collection necessary:

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, savings association, bank holding company, savings and loan holding company, or U.S. intermediate holding company[[4]](#footnote-4) 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.[[5]](#footnote-5) 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.

In addition, the FRB, as the supervisor of U.S. intermediate holding companies, began collecting SLR data in SLR Tables 1 and 2 of FFIEC 101 Schedule A from any such holding companies formed or designated for purposes of compliance with the FRB’s Regulation YY (12 CFR 252.153) that are advanced approaches banking organizations as of the March 31, 2018, report date.

The proposed changes to the FFIEC 101 report that are the subject of this submission would implement the changes in the CECL final rule, including its optional CECL transition provision, by revising the instructions to FFIEC 101, Schedule A – Advanced Approaches Regulatory Capital, item 2, “Retained earnings”; item 50, “Eligible credit reserves includable in tier 2 capital”; item 76, “Total allowance for loan and lease losses (ALLL) under the standardized approach”; item 77, “Amount of ALLL includable in tier 2 capital under the standardized approach”; and SLR Table 1, item 1.8, “Total leverage exposure,” effective March 31, 2019, for advanced approaches institutions that have adopted CECL. The proposed revisions to these instructions would incorporate the new definitions in the CECL final rule, as well as the mechanics of the CECL transition provision for electing advanced approaches institutions that have adopted CECL. The agencies also would include footnotes on the FFIEC 101 report form to highlight these items for these advanced approaches institutions.

In addition, the definition of “high volatility commercial real estate acquisition, development, or construction loan” (HVCRE ADC Loan) in Section 214 of EGRRCPA that applies to the reporting of such exposures held for sale, held for investment, and held for trading impacts the reporting of information in the FFIEC 101 on HVCRE exposures in Schedule B, item 5, and Schedule G – High Volatility Commercial Real Estate. The agencies received OMB approval on an emergency basis to revise the instructions to these schedules to allow institutions to report commercial real estate exposures that meet the statutory definition of “HVCRE ADC Loan” in Section 214 of this new law instead of reporting these exposures in accordance with the instructions in effect before the enactment of EGRRCPA. Therefore, to address the EGRRCPA change that applies to the reporting of HVCRE exposures in the FFIEC 101, the agencies revised the instructions for the FFIEC 101 to allow an advanced approaches institution to estimate and report HVCRE exposures on Schedules B and G of the FFIEC 101 using the definition set forth in Section 214 of the new law. Pending further action by the agencies, advanced approaches 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. As a result of OMB’s emergency approval with respect to the reporting of HVCRE exposures in the FFIEC 101, the agencies have undertaken the regular Paperwork Reduction Act (PRA) process for the reporting of these exposures in the FFIEC 101 and are including these instructional changes as part of this submission.

2. Use of Information:

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, if applicable, the Supplementary Leverage Ratio as revised in 2014. 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. Consideration of the use of improved information technology:

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. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

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 2,750 FDIC-supervised institutions with assets of $550 million or less.

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

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 Consolidated Reports of Condition and Income (Call Report)[[6]](#footnote-6) and the FRB’s Bank Holding Company FR Y-9C report.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On September 28, 2018, the FDIC, the FRB, and the OCC jointly published an initial Paperwork Reduction Act Federal Register notice proposing to extend, with revision, the FFIEC 101, Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework, and certain other FFIEC reports (83 FR 49160). The comment period ended on November 27, 2018. The agencies received comments on the proposals covered in the notice from two entities, a bankers’ association and a bank. The commenters recommended clarifications to the language used in the notice and associated reporting instructions, as well as clarifying edits to the proposed revised reporting forms. The agencies are incorporating appropriate clarifying edits suggested by commenters in the affected reports within the scope of the September 2018 proposal and their associated instructions.

9. Payment or Gift to Respondents

No payment or gift will be provided to respondents.

10. Any assurance of 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 FFIEC 101 Schedules A and B 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. Justification for questions of a sensitive nature:

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

12. Estimate of hour burden including annualized hourly costs:

The proposed instructional revisions that are the subject of this submission are not expected to result in a change in the overall reporting burden of completing the FFIEC 101 report, which is currently estimated at 674 hours per quarter, on average, for each FDIC-supervised institution required to prepare the FFIEC 101 report.

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 start-up costs to respondents:

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.[[7]](#footnote-7) 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[[8]](#footnote-8) or when they requested comment in connection with previous revisions to the FFIEC 101 report. The agencies did not receive any comments on the cost burden arising from the proposed revisions that are the subject of this submission.

14. Estimate of annualized costs to the 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. Analysis of change in burden:

There is no change in burden. As discussed in Item 12 above, the proposed instructional revisions to the FFIEC 101 report that are the subject of this submission are not expected to produce a change in the overall 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. Information regarding collections whose results are planned to be published for statistical use:

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 dates 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 as well as 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.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

1. See the advanced approaches risk-based capital rule: 12 CFR part 3, subpart E (OCC); 12 CFR part 217, subpart E (FRB); and 12 CFR part 324, subpart E (FDIC). [↑](#footnote-ref-1)
2. The new accounting standard is the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13). [↑](#footnote-ref-2)
3. 84 FR 4222 (February 14, 2019). [↑](#footnote-ref-3)
4. For simplicity, and unless otherwise indicated, the term “bank” includes banks, savings associations, bank holding companies, savings and loan holding companies, and U.S. intermediate holding companies. [↑](#footnote-ref-4)
5. See 79 FR 57725 (September 26, 2014). [↑](#footnote-ref-5)
6. For the FDIC, OMB No. 3064-0052. [↑](#footnote-ref-6)
7. See 72 FR 69392, December 7, 2007, for a discussion of cost estimates of implementing the original Basel II final rule. [↑](#footnote-ref-7)
8. See 71 FR 55981, September 25, 2006. [↑](#footnote-ref-8)