Supporting Statement for the
Regulatory Capital Reporting for Institutions Subject to the
Advanced Capital Adequacy Framework
(FFIEC 101; OMB No. 7100-0319)

Summary

The Board of Governors of the Federal Reserve System (Board) requests approval from the Office of Management and Budget (OMB) to extend for three years, with revision, the Federal Financial Institutions Examination Council (FFIEC) Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101; OMB No. 7100-0319). The FFIEC 101 collects data regarding the levels and components of each reporting entity's risk-based capital requirements in order to monitor the adequacy of the entity's capital under the Board's advanced capital adequacy framework. This report must be filed quarterly by certain large or internationally active state member banks, bank holding companies (BHCs), savings and loan holding companies (SLHCs), and intermediate holding companies (IHCs), as well as other institutions that adopt the framework on a voluntary basis (collectively, reporting institutions). The revisions to the FFIEC 101 that are the subject of this request have been approved by the FFIEC, of which the Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (the agencies) are members. Each of the agencies separately clears the FFIEC 101 report pursuant to the Paperwork Reduction Act, including with regard to estimating respondent burden, for the reporting entities under their respective supervision. The FDIC and OCC have also submitted a similar request for OMB review to request this information from reporting entities under their supervision.

The proposed revisions generally address the revised accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016–13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). This proposal also includes reporting changes for regulatory capital related to the agencies' recent final rule (the CECL Rule) on the implementation and capital transition for the current expected credit losses methodology (CECL). In addition, the agencies propose revisions resulting from two sections of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), effective upon enactment on May 24, 2018, that affect the information reported in this report and for which the agencies submitted emergency review requests to OMB that OMB has approved. The proposed revisions related to ASU 2016-13 would begin to take effect March 31, 2019, for reports with quarterly report dates and December 31, 2019, for reports with an annual report date, with later effective dates for certain respondents. The current annual burden for the FFIEC 101 is estimated to be 59,576 hours and would remain unchanged with the proposed revisions.

Background and Justification

A number of federal laws require the Board to establish capital requirements for entities supervised by the Board. The International Lending Supervision Act of 1983 (ILSA) mandates that each federal banking agency require banks to achieve and maintain adequate capital by establishing minimum levels of capital or by other methods that the agency may deem appropriate.[1] Section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) requires the appropriate federal banking agencies to establish minimum risk-based and leverage capital requirements on a consolidated basis for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board.[2] Section 38(c) of the Federal Deposit Insurance Act (FDI Act) requires each federal banking agency to adopt a risk-based capital requirement for insured depository institutions.[3]

On October 11, 2013, the Board published a final rule in the *Federal Register*, to adopt its current risk-based and leverage capital standards.[4] The standards are codified in the Board's Regulation Q, 12 CFR part 217. The Board's risk-based capital standards include an advanced approaches capital framework for large and internationally active banking organizations. Banking organizations that use this framework report information related to their risk-based capital requirements using the FFIEC 101.

The Board uses the data reported on the FFIEC 101 to:

- Assess the components of each reporting institution's risk-based capital requirements,
- Assess each reporting institution's capital relative to inherent risks and the Board's minimum capital requirements,
- Monitor the levels and components of the risk-based capital requirements for reporting institutions through peer, outlier, and risk trend analyses,
- Evaluate the quantitative impact and competitive implications of the implementation of the framework on risk-based capital levels within reporting institutions and on an overall industry basis,
- Ensure that the revised risk-based regulatory capital framework is implemented in the United States in a safe and sound manner,
- Provide market participants, depositors, the public, supervisors, and other interested parties with information about reporting institutions' risk-based capital, and
- Supplement on-site examination processes and decisions pertaining to the allocation of supervisory resources.

There are no other information collections that require the information that is gathered through the FFIEC 101.

Description of Information Collection

The FFIEC 101 report is mandatory for Board-regulated institutions (state member banks, BHCs, SLHCs, and IHCs) using the advanced approaches risk-based capital rule (advanced

[1] 12 U.S.C. 3907(a)(1).
[2] 12 U.S.C. 5371(b)(1)-(2).
[3] 12 U.S.C. 1831o(c).
[4] Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule 78 FR 62017 (October 11, 2013). The final rule was published jointly with the OCC.

approaches banking organizations).[5] Respondents are required to submit detailed data on the components of their capital and risk-weighted assets in nineteen schedules (A through S).

Public Data

For report dates before a reporting institution has completed its parallel run period,[6] only Schedule A is released 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 an institution has completed its parallel run period, the data reported in Schedules A and B (except for Schedule B, items 31.a and 31.b, column D) and in data items 1 and 2 of Schedule S are released to the public for each reporting entity.

Schedule A contains information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital as defined within the rule. Schedule B contains summary information about risk-weighted assets by risk type, and, in the case of credit risk exposures, outstanding balances and aggregated information about the drivers and estimates that underlie the calculation of risk-weighted assets.

The general exposure breakdowns in Schedule B are as follows:

- Wholesale Exposures, including separate reporting for the following types of exposures: Corporate; Bank; Sovereign; Income Producing Real Estate; High Volatility Commercial Real Estate; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives with Cross Product Netting; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives without Cross Product Netting,
- Retail Exposures, including separate reporting for the following types of exposures: Residential Mortgage Closed-end First Liens, Residential Mortgage Closed-end Junior Liens, Residential Mortgage Revolving Exposures, Qualifying Revolving Exposures, and Other Retail Exposures,
- Securitization Exposures,
- Cleared Transactions, including separate reporting for the following types of exposures: Derivative contracts and netting sets to derivatives, Repo-style transactions, Default fund contributions,

[5] An institution is an advanced approaches institution if it has consolidated assets of at least $250 billion or if it has consolidated on-balance sheet foreign exposures of at least $10 billion, or if it is a subsidiary of a depository institution, bank holding company, savings and loan holding company, or intermediate holding company that is an advanced approaches institution. An institution that elects to use the advanced approaches to calculate its total risk-weighted assets also is an advanced approaches institution. See 12 CFR 3.100 (OCC), 12 CFR 217.100 (Board), 12 CFR 324.100 (FDIC).

[6] An advanced approaches institution is considered to have completed the parallel run process once it has completed the advanced approaches qualification process and received notification from its primary federal regulator pursuant to section 121(d) of subpart E of the capital rules. See 12 CFR 3.121(d) (OCC), 12 CFR 217.121(d) (Board), 12 CFR 324.121(d) (FDIC).

- Equity Exposures,
- Other Assets; including separate reporting for the following types of exposures: Unsettled transactions, Assets not included in a defined exposure category, Non-material portfolios of exposures, Credit Valuation Adjustments, Assets subject to the general risk-based capital requirements, Excess eligible credit reserves not included in Tier 2 capital, and Advanced Market Risk Equivalent Assets; and Operational Risk.

Some of the aggregate data items submitted in Schedule B are derived from information contained in the more detailed confidential supporting schedules described below. The data contained in Schedule B describe the main summary-level components of respondents' risk-weighted assets, but would not allow users to exactly replicate respondents' risk-weighted asset calculations since the data are averaged, weighted, and rounded.

Schedule S collects data on respondents' operational risk exposure. Data items 1 and 2 are publicly available and include high-level information on operational risk capital, expected operational loss, eligible operational risk offsets, and total risk- based capital requirements for operational risk.

The intent of these disclosures is to provide market participants, depositors, supervisors, the public, and other interested parties with a sufficient level of detail about reporting institutions' major capital and risk- weighted asset components as well as summary information about the composition of regulatory capital and the risk parameters that underlie risk-weighted asset calculations.

Non-public Data

Data items 31.a and 31.b, column D of Schedule B, credit evaluation adjustments – simple approach and advanced approach, respectively, associated with over-the-counter derivative transactions as described in section 132(e) of the advanced approaches rule describe and are withheld as confidential. The data items contained in Schedules C through S describe the main components of respondents' risk-weighted assets and are essentially expanded detail of the more summary information contained in the public data items in Schedule B. The data submitted in these schedules are not made available to the public (except for data items 1 and 2 of Schedule S, Operational Risk). Supervisors use these data in order to compare certain critical capital drivers across reporting institutions and across time. A brief description of the content of Schedules C through S follows.

<u>Wholesale Exposures</u>. Schedules C through J request data on respondents' wholesale exposures. Each schedule represents a sub-portfolio of the wholesale exposure category as listed on the public Schedule B. For each reported sub-portfolio, the schedule groups exposures into sub-portfolio segments using supervisor-defined probability of default (PD) ranges. The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment.

<u>Retail Exposures</u>. Schedules K through O request data on respondents' retail exposure category. Each schedule represents a sub-portfolio of the retail exposure category as listed on

the public Schedule B. PD ranges are used to sub-divide each sub-portfolio into segments.[7] The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment. The retail schedules also incorporate risk characteristics that are believed to be commonly used drivers within respondents' risk management and measurement processes, including the distribution of each sub-portfolio segment by loan-to-value ranges (applies only to real estate exposures), weighted average credit bureau score, and weighted average account age.[8]

Securitization Exposures. Schedule P requests data on respondents' securitization and resecuritization exposures. Schedule P requests information on securitization and resecuritization exposures that are subject to either the supervisory formula approach, the simplified supervisory formula approach, a 1250 percent risk weight, or deduction. A reporting institution completes Schedule P by providing information on exposure amount, risk-weighted asset amount, and deduction amount for each securitization and resecuritization based on the treatment the exposure is subject to under the rule.

Cleared Transactions. Schedule Q requests data on respondents' cleared transaction exposures. The schedule divides cleared transactions into subcategories relating to the Clearing Member Client Bank and to the Clearing Member Bank. For the Clearing Member Client Bank category, a reporting institutions completes Schedule Q by providing exposure amount and risk weighted asset amount information on derivative contracts or netting sets of derivative contracts and repo-style transactions. Schedule Q requests that respondents' provide exposure amount from default fund contributions and risk-weighted asset amounts for exposures within the Clearing Member Bank category, which include derivative contracts or netting sets of derivative contracts, repo-style transactions, and default fund contributions to non-qualified and qualified central counterparties.

Equities. Schedule R requests information about respondents' equity exposures by type of exposure and by approach to measuring required capital. Schedule R also requests information on equity exposures subject to specific risk weights and equity exposures to investment funds. A reporting institution completes the appropriate section of the schedule based on whether it uses a simple risk-weight approach, a full internal models approach, or a partially modeled approach to measuring required capital for equity exposures.

Operational Risk. Schedule S requests data on respondents' operational risk exposure. Confidential data items submitted in this schedule include various details about historical operational losses, on a stand-alone and group-wide basis, for the current reporting period and those historical operational losses used to model operational risk capital. The schedule also requests confidential data related to scenarios, distribution assumptions, and loss caps used to model operational risk capital.

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[7] Unlike the wholesale credit exposure reporting schedules, the PD ranges for retail exposures differ from sub-portfolio to sub-portfolio.
[8] For qualifying revolving exposures and other (non-mortgage) retail exposures, the exposure at default of accounts under two years old is reported instead of weighted average age for each sub-portfolio exposure segment.

Proposed Revisions

In connection with the agencies' recently approved final rule on the implementation of CECL and the related transition for regulatory capital (CECL Rule), the agencies propose to revise the Board's capital rules applicable to an advanced approaches institution that has completed the parallel run process by aligning the definition of eligible credit reserves (ECR) with the definition of allowance for credit loss. As described in the CECL Rule, an advanced approaches institution may elect to phase in the impact of CECL by adjusting ECR. In addition, in December 2018, the agencies approved a final rule amending their capital rule to address CECL. The final rule included revised terminology for the allowance balance eligible for inclusion in regulatory capital.[9] The agencies plan to make conforming terminology revision for the reporting of regulatory capital.

To reflect the changes in the CECL Rule and in the optional CECL transition provision, the agencies are proposing to revise the instructions to FFIEC 101, Schedule A—Advanced Approaches Regulatory Capital, item 50, "Eligible credit reserves includable in tier 2 capital"; item 76, "Total allowance for loan and lease losses (ALLL) under the standardized approach"; and item 77, "Amount of ALLL includable in tier 2 capital under the standardized approach," 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 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 forms to highlight these items for these advanced approaches institutions.

Additionally, the agencies are proposing to make certain revisions to the FFIEC 101 that are consistent with section 214 of EGRRCPA, which provides that depository institutions may only be required to assign a heightened risk weight to a "high volatility commercial real estate" (HVCRE) exposure if such exposure is an "HVCRE ADC Loan," as defined by statute. HVCRE exposures are reported in FFIEC 101, Schedule B, item 5, and Schedule G—High Volatility Commercial Real Estate.[10] The agencies previously received OMB approval to revise the instructions to these schedules to allow institutions to report commercial real estate exposures in a manner consistent with the statutory definition of "HVCRE ADC Loan."[11] The agencies are now proposing, under standard Paperwork Reduction Act clearance procedures, to extend for three years these revisions to the instructions for the FFIEC 101. Pending further agency action, 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

[9] The agencies' final rule, which is available at https://www.fdic.gov/news/board/2018/2018-12-18-notice-sum-c-fr.pdf, uses the term "adjusted allowances for credit losses" for regulatory capital purposes to distinguish such allowances from allowances for credit losses for accounting purposes.

[10] To assist advanced approaches institutions in preparing their FFIEC 101 reports for the June 30, 2018, report date, the FFIEC sent a letter to these institutions providing instructions regarding the reporting of HVCRE exposures in the FFIEC 101 as of that date https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC101_201807_letter.pdf. Guidance from this letter will be incorporated into the FFIEC 101 Instructions at a future date.

[11] On July 31, 2018, the OMB approved the agencies' request https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201807-7100-017.

capital rules until the agencies take further action.

Time Schedule for Information Collection

The FFIEC 101 is collected quarterly as of the end of the last calendar day of March, June, September, and December. Reporting Institutions submit data quarterly because efforts to monitor their progress toward, and actions under, the framework require regular and consistent data submissions from all of the institutions adopting this framework. The first reporting period for Schedules A through S for each reporting entity seeking to qualify for the advanced approaches corresponds to the first quarter of its parallel run period.

The report due dates are 60 days following the end of a quarter while a reporting institution is in its parallel run period. After completing its parallel run period, the report due dates are the same as the report due dates currently required of banks and holding companies when filing their respective Call Report or FR Y-9C. State member banks must submit the FFIEC 101 to the appropriate Federal Reserve Bank within thirty calendar days following the as-of date; a five-day extension may be given to banks with more than one foreign office. Holding companies must submit the FFIEC 101 to the appropriate Federal Reserve Bank within forty calendar days after the March 31, June 30, and September 30 as of dates unless that day falls on a weekend or holiday and within forty-five calendars days after the December 31 as of date.

Individual respondent data, excluding confidential information, would be available on the National Information Center public website.

Legal Status

The Board is authorized to collect the information on the FFIEC 101 report from state member banks pursuant to section 9(6) of the Federal Reserve Act (12 U.S.C. 324), from BHCs pursuant to section 5(c) of the Bank Holding Company Act (BHC Act) (12 U.S.C. 1844(c)(1)(a)), from SLHCs pursuant to section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a(b)(2)), and from IHCs pursuant to section 5(c) of the BHC Act (12 U.S.C. 1844(c)(1)(A)) as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Wall Street and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 5311(a)(1) and 5365),[12] sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. 3106(a) and 3108(a)), and Regulation YY (12 CFR 252.153(b)(2)). The quarterly FFIEC 101 report is mandatory for reporting institutions.

For report dates <u>before</u> a reporting institution has completed its parallel run period, only

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[12] Section 165(b)(2) of Title I of the Dodd-Frank Act, 12 U.S.C. 5365(b)(2), refers to "foreign-based bank holding company." Section 102(a)(1) of the Dodd-Frank Act, 12 U.S.C. 5311(a)(1), defines "bank holding company" for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act, 12 U.S.C. 3106(a). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act, 12 U.S.C. 5365(b)(1)(B)(iv), certain of the foreign banking organizations that are subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FFIEC 101 report.

Schedule A of the FFIEC report is released to the public, except for items 78, 79, 86, 87, 88, 89 and 90, which are treated as confidential. In addition, all of the information reported in Schedules B through S of the FFIEC 101 report are withheld as confidential. For report dates after an institution has completed its parallel run period, all of the data items in Schedules A and B (except for Schedule B, items 31.a and 31.b, column D) and data items 1 and 2 of Schedule S are released to the public. Data items 31.a and 31.b, column D of Schedule B, and all of the data items in Schedules C through S (except for Schedule S, data items 1 and 2) continue to be withheld as confidential after the institution's parallel run period is completed.

Data items 78, 79, and 86-90 of Schedule A collect information on total eligible credit reserves, risk weighted assets, tier one capital ratios and other data calculated using advanced approaches. Schedule B contains summary information about risk-weighted assets and aggregated information that underlie the calculation of risk-weight assets using advanced approaches. Data items 1 and 2 of Schedule S reflect high-level information on an institution's total risk-based capital requirement for operational risk. During the parallel run period, supervisors may request a banking organization amend its internal models, risk measurement, and management infrastructure to implement calculations using advanced approaches. Public disclosure of the above referenced data items before the parallel run period is completed could lead investors, competitors, and the public to misjudge the financial health of the institutions, when in fact there has been no change to their underlying fundamentals and, therefore, could result in substantial competitive harm. Thus, data items 78, 79, and 86-90 of Schedule A, all of Schedule B (except for data items 31.a and 31.b, column D), and data items 1 and 2 of Schedule S only will be released to the public by the FFIEC for the reporting periods after the institution's parallel run period is completed.[13] Before completion of the parallel run period, such information may be withheld as confidential pursuant to exemption 4 of the Freedom of Information Act (FOIA), 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)).

Both before and after the completion of the parallel run period, data items 31.a and 31.b, column D of Schedule B, data items 3-24 of Schedule S, and all of the data items in Schedules C through R are withheld as confidential pursuant to exemption 4 of the FOIA. The data items found in these schedules contain more detailed information than are included in the public schedules, including sensitive information breaking down individual banking organization exposures to borrowers by probability of default, exposures at default, and detailed information on the data used to model operational risk capital. Disclosure of this information could result in substantial competitive harm to the reporting institution, particularly because other financial institutions, which are not required to publicly report such data, would competitively benefit from the public disclosure of such detailed information by each reporting institution. Accordingly, FOIA exemption 4 permits confidential treatment for the data items in these schedules.

In addition, if a reporting institution believes that disclosing the data items that are

[13] Before determining an institution's risk-based capital requirements, the institution must conduct a parallel run of no less than four consecutive calendar quarters during which it complies with the qualification requirements in 12 CFR 217.122 to the Board's satisfaction. 12 CFR 217.121.

designated for public disclosure on the FFIEC 101 report is reasonably likely to result in substantial harm to its competitive position, then consistent with exemption 4 of the FOIA, the reporting institution may request confidential treatment for such information pursuant to the Board's Rules Regarding the Availability of Information (12 CFR 261.15). Such requests would have to be considered on a case-by-case basis.

Public Comments and Response

On September 28, 2018, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (83 FR 49160) requesting public comment for 60 days on the extension, with revision, of the FFIEC 101. The comment period for this notice expired on November 27, 2018. No comments were received on the FFIEC 101 and the agencies will proceed with the revisions as originally proposed. On February 14, 2019, the agencies published a final notice in the *Federal Register* (84 FR 4131).

Consultation outside the Agency

There has been no consultation outside of the Federal Reserve System.

Estimate of Respondent Burden

The current total annual burden for the FFIEC 101 is estimated to be 59,576 hours and would remain unchanged based on the proposed revisions. These reporting requirements represent less than 1 percent of the total Federal Reserve paperwork burden.

FFIEC 101	*Number of respondents*[14]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
SMBs	6	4	674	16,176
BHCs and SLHCs	16	4	677	43,328
IHCs	6	4	3	72
Total				59,576

The current cost to the public for this information collection is estimated to be $3,339,235.[15]

[14] Of these respondents, none are considered small entities 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.

[15] 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/.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The ongoing costs of the Federal Reserve System for collecting and processing the data are estimated to be $157,700 per year.