

**Supporting Statement for the  
Reporting and Recordkeeping Requirements Associated with Regulation Y (Capital Plans)  
(FR Y-13; OMB No. 7100-0342)**

*Amendments to the Capital Plan Rule  
(Docket No. R-1653; RIN 7100-AF41)*

**Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Reporting and Recordkeeping Requirements Associated with Regulation Y (Capital Plans) (FR Y-13; OMB No. 7100-0342). Regulation Y - Bank Holding Companies and Change in Bank Control (12 CFR Part 225) requires large bank holding companies and U.S. intermediate holding companies (jointly referred to as BHCs) to submit capital plans to the Board on an annual basis and requires such BHCs to request prior approval from the Board under certain circumstances before making a capital distribution. Although there are additional data reporting requirements, there are no required reporting forms associated with this information collection.

The Board amended the capital plan rule to limit the scope of potential objections to a firm's capital plan on the basis of qualitative deficiencies in the firm's capital planning process (qualitative objection). In particular, effective immediately, the Board will no longer issue a qualitative objection under the capital plan rule to a firm if the firm has been subject to a potential qualitative objection for four consecutive years, and the firm does not receive a qualitative objection in the fourth year of that period. In addition, except for certain firms that have received a qualitative objection in the immediately prior year, the Board will no longer issue a qualitative objection to any firm effective January 1, 2021. Under section 225.8(f)(2) of the final rule, certain large and complex firms will no longer be subject to the provisions of the Board's capital plan rule whereby the Board can object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. Accordingly, the final rule has reduced the recordkeeping requirements for immediately excluded large and complex firms. The final rule is effective on March 13, 2019.

The current estimated total annual burden for the FR Y-13 is 420,036 hours. The adopted revisions would result in a net decrease in burden of 54,000 hours.

**Background and Justification**

On December 1, 2011, the Board published the Capital Plans final rule (2011 final rule) in the *Federal Register* (76 FR 74631) revising the Board's Regulation Y. Under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Board is required to impose enhanced prudential standards on large BHCs, including stress testing requirements; enhanced capital, liquidity, and risk management requirements; and a requirement to establish a risk committee.<sup>1</sup> The Board believes that it is appropriate to hold large

---

<sup>1</sup> See generally section 165 of Pub. L. No. 111-203, 124 Stat. 1376 (2010) (Dodd-Frank Act); 12 U.S.C. § 5365.

BHCs to an elevated capital planning standard because of the elevated risk posed to the financial system by large BHCs and the importance of capital in mitigating these risks.

During the years leading up to the recent financial crisis, many BHCs made significant distributions of capital, in the form of stock repurchases and dividends, without due consideration of the effects that a prolonged economic downturn could have on their capital adequacy and ability to continue to operate and remain credit intermediaries during times of economic and financial stress. The 2011 final rule addressed such practices, building upon the Board's existing supervisory expectation that large BHCs have robust systems and processes that incorporate forward-looking projections of revenue and losses to monitor and maintain their internal capital adequacy.<sup>2</sup>

On July 1, 2014, the Board published a final rule (2014 final rule) in the *Federal Register* (79 FR 64026) modifying the start date of the capital plan and stress test cycles from October 1 of a calendar year to January 1 of the following calendar year. The 2014 final rule also made other changes, including amending the capital plan rule to limit a bank holding company's ability to make capital distributions to the extent that the bank holding company's actual capital issuances are less than the amount indicated in its capital plan under baseline conditions, measured on a quarterly basis. The 2014 final rule also clarified application of the capital plan rule to a bank holding company that is a subsidiary of a U.S. intermediate holding company of a foreign banking organization and the characteristics of a stressed scenario to be included in company run stress tests. The 2014 final rule also revised the Board's Policy Statement on the Scenario Design Framework for Stress Testing and the Board's Regulation YY - Enhanced Prudential Standards (12 CFR Part 252) to reflect the revisions to the start date of the stress test cycle.

The FR Y-13 requirements apply to every top-tier BHC domiciled in the United States that has \$50 billion or more in total consolidated assets and U.S. intermediate holding companies with total consolidated assets of \$50 billion or more. There are currently 38 respondents to this collection. The asset threshold of \$50 billion is consistent with the threshold established by section 165 of the Dodd- Frank Act relating to enhanced supervision and prudential standards for certain BHCs.

## **Description of Information Collection**

The reporting and recordkeeping requirements are found in sections 225.8(e), (f), and (g). The Board believes that the requirements help ensure that large BHCs have appropriate capital plans in place to address their capital adequacy and their ability to continue operating and to remain credit intermediaries during times of economic and financial stress. Compliance with the information collections is mandatory. No other federal law mandates these reporting and recordkeeping requirements.

---

<sup>2</sup> See SR letter 09-4 (Revised March 27, 2009), available at [www.federalreserve.gov/boarddocs/srletters/2009/SR0904.htm](http://www.federalreserve.gov/boarddocs/srletters/2009/SR0904.htm); see also Revised Temporary Addendum to SR letter 09-4 (November 17, 2010) (SR 09-04), available at [www.federalreserve.gov/newsevents/press/bcreg/bcreg20101117b1.pdf](http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20101117b1.pdf).

### *Reporting Requirements*

Section 225.8(e)(1)(ii) requires a BHC to submit its complete capital plan to the Board and the appropriate Reserve Bank by April 5 of each calendar year, or such later date as directed by the Board or by the appropriate Reserve Bank with concurrence of the Board.

Section 225.8(e)(3) requires that in connection with submissions of capital plans to the Board, BHCs are required to provide certain data to the Board, including:

- The BHC's financial condition, including its capital
- The BHC's structure
- Amount and risk characteristics of the BHC's on- and off-balance sheet exposures, including exposures within the BHC's trading account, other trading-related exposures (such as counterparty-credit risk exposures) or other items sensitive to changes in market factors, including, as appropriate, information about the sensitivity of positions to changes in market rates and prices
- The BHC's relevant policies and procedures, including risk management policies and procedures
- The BHC's liquidity profile and management
- The loss, revenue, and expense estimation models used by the BHC for stress scenario analysis, including supporting documentation regarding each model's development and validation
- Any other relevant qualitative or quantitative information requested by the Board or the appropriate Reserve Bank to facilitate review of the BHC's capital plan

Section 225.8(e)(4) requires the BHC to update and resubmit its capital plan to the appropriate Reserve Bank within 30 calendar days of the occurrence of certain events.

Section 225.8(f)(3) requires that within 15 calendar days of receipt of a notice of objection to a capital plan by the Board or appropriate Reserve Bank, the BHC may submit a written request to the Board requesting reconsideration of the objection, including an explanation of why reconsideration should be granted. As an alternative to a request for reconsideration, the BHC may submit a request for an informal hearing.

Under section 225.8(g)(1), in certain circumstances, large BHCs will be required to obtain prior approval from the Board before making capital distributions. Under 225.8(g)(3), a BHC may submit a request for non-objection that includes all the information from 225.8(g)(4). Section 225.8(g)(4) states that prior approval requests contain the following information:

- The BHC's current capital plan or an attestation that there have been no changes the capital plan since it was last submitted to the Federal Reserve
- The purpose of the transaction
- A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s)
- Any additional information requested by the Board or appropriate Reserve Bank (which may include, among other things, an assessment of the BHC's capital adequacy under a

revised stress scenario provided by the Federal Reserve, a revised capital plan, and supporting data)

Section 225.8(g)(3)(iii)(A) provides for exceptions to the extent that the Board or appropriate Reserve Bank indicates in writing its non-objection, following a request for nonobjection from the BHC that includes all of the information required to be submitted under section 225.8(g)(4).

Section 225.8(g)(6) provides that if the Board or appropriate Reserve Bank disapproves of a BHC's capital distribution, the BHC within 15 calendar days of receipt of a notice of disapproval by the Board may submit a written request for a hearing.

#### *Recordkeeping Requirements*

Section 225.8(e)(1)(i) requires a BHC to develop and maintain a capital plan. The level of detail and analysis expected in a capital plan will vary based on the BHC's size, complexity, risk profile, scope of operations, and the effectiveness of its processes for assessing capital adequacy. The capital plan must contain at least the following elements:

- An assessment of the expected uses and sources of capital over the planning horizon that reflects the BHC's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions
- A detailed description of the BHC's process for assessing capital adequacy
- The BHC's capital policy
- A discussion of any expected changes to the bank holding company's business plan that are likely to have a material impact on the bank holding company's capital adequacy or liquidity

The mandatory elements under each component are described in section 225.8(e)(2).

Section 225.8(e)(1)(iii) requires the BHC's board of directors or a designated committee must at least annually review and approve the BHC's capital plan prior to its submission to the appropriate Reserve Bank.

#### **Adopted Revisions**

The Board amended the capital plan rule to limit the scope of potential objections to a firm's capital plan on the basis of qualitative deficiencies in the firm's capital planning process (qualitative objection). In particular, effective immediately, the Board will no longer issue a qualitative objection under the capital plan rule to a firm if the firm has been subject to a potential qualitative objection for four consecutive years, and the firm does not receive a qualitative objection in the fourth year of that period. In addition, except for certain firms that have received a qualitative objection in the immediately prior year, the Board will no longer issue a qualitative objection to any firm effective January 1, 2021.

Under section 225.8(f)(2) of the final rule, certain large and complex firms will no longer be subject to the provisions of the Board's capital plan rule whereby the Board can object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. In

comments received on the proposal, commenters expressed the view that the provision of the rule permitting the Board to object to a capital plan on the basis of qualitative deficiencies, in their view, required a firm to develop a large amount of documentation and stress test models in order to avoid risk of a public objection to its capital plan. Accordingly, the final rule is expected to reduce the recordkeeping requirements for immediately excluded large and complex firms by approximately 25 percent, or 3,000 hours for the immediately excluded large and complex firms for 2019 and 2020. In addition, the final rule is expected to reduce the recordkeeping requirements for the remaining large and complex firms by approximately 25 percent, or 3,000 hours in 2021 and thereafter.

The final rule provides that a large and complex firm that has submitted a capital plan subject to potential objection by the Board on the basis of qualitative deficiencies for any period of four consecutive years and that does not receive a qualitative objection in the fourth and final year will no longer be subject to potential objection by the Board on the basis of qualitative deficiencies. In addition, except for any firm that receives a qualitative objection, the final rule provides that the Board will no longer object to a capital plan on the basis of qualitative deficiencies beginning in 2021 and continuing thereafter.

### **Time Schedule for Information Collection**

Information collection pursuant to the recordkeeping requirements is event-generated and must be maintained onsite. The reporting of an initial or resubmission of a revised capital plan, the submission of data pursuant to section 225.8(e)(3), and the submission of prior approval requests must be provided to the Board within the time periods established by the regulation:

- Section 225.8(e)(1)(ii) requires a BHC to submit its complete capital plan to the Board and the appropriate Reserve Bank each year by April 5th, or such later date as directed by the Board or by the appropriate Reserve Bank with concurrence of the Board
- Section 225.8(e)(1)(iii) requires the BHC's board of directors or a designated committee to review and approve the BHC's capital plan prior to its submission to the appropriate Federal Reserve Bank
- Section 225.8(e)(3) requires BHCs to provide certain data to the Board, upon the request of the Board or appropriate Reserve Bank
- Section 225.8(e)(4) requires the BHC to update and resubmit its capital plan within 30 calendar days of the occurrence of certain events
- Section 225.8(f)(3) provides that the BHC may submit a written request for reconsideration within 15 calendar days of receipt of a notice of objection by the Board of the BHC's capital plan
- Section 225.8(g)(1) provides that, in certain circumstances, large BHCs will be required to obtain prior approval from the Board before making capital distributions
- Section 225.8(g)(6) provides that the BHC may submit a written request for a hearing within 15 calendar days of receipt of a notice of disapproval (of a capital plan) by the Board

## Legal Status

Section 616(a) of the Dodd-Frank Act amended section 5(b) of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844(b)) to specifically authorize the Board to issue regulations and orders relating to capital requirements for BHCs. The Board is also authorized to collect and require reports from BHCs pursuant to section 5(c) of the BHC Act (12 U.S.C. § 1844(c)). Additionally, the Board's rulemaking authority for the information collection and disclosure requirements associated with the FR Y-13 is found in sections 908 and 910 of the International Lending Supervision Act of 1983, as amended (12 U.S.C. §§ 3907 and 3909). Additional support for FR Y-13 is found in sections 165 and 166 of the Dodd-Frank Act (12 U.S.C. §§ 5365 and 5366).<sup>3</sup> The obligation to respond to this information collection is mandatory.

The capital plan information submitted by the covered BHC will consist of confidential and proprietary modeling information and highly sensitive business plans, such as acquisition plans submitted to the Board for approval. Therefore, it appears the information will be subject to withholding under exemption 4 of the Freedom of Information Act (5 U.S.C. §552(b)(4)).

## Consultation Outside of the Agency

There has been no consultation outside the agency.

## Public Comments

On April 25, 2018, the Board published a notice of proposed rulemaking in the *Federal Register* (83 FR 18160) for public comment. The comment period for this notice expired on June 25, 2018. The Board did not receive any specific comments related to the Paperwork Reduction Act (PRA) analysis. On March 13, 2019, the Board published a final rule in the *Federal Register* (84 FR 8953). The final rule is effective on March 13, 2019.

## Estimate of Respondent Burden

As shown in the table below, the current estimated total annual burden for the FR Y-13 is 420,036 hours. The adopted revisions would result in a net decrease in burden of 54,000 hours. The final rule reduced the recordkeeping burden in section 225.8(e)(1)(i) for large complex firms by 3,000 hours per response. These reporting and recordkeeping requirements represent approximately 3.3 percent of total Federal Reserve System paperwork burden.

---

<sup>3</sup> Section 165 requires the Board to impose enhanced prudential standards on large BHCs, including stress testing requirements; enhanced capital, liquidity, and risk management requirements; and a requirement to establish a risk committee. Section 166 requires the Board to impose early remediation requirements on large BHCs under which a large BHC experiencing financial distress must take specific remedial actions in order to minimize the probability that the company will become insolvent and to minimize the potential harm of such insolvency the United States.

<b>FR Y-13</b>	<i>Estimated number of respondents<sup>4</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
<b>Reporting</b>				
Section 225.8(e)(1)(ii)	28	1	80	2,240
Section 225.8(e)(3)	36	1	1,005	36,180
Section 225.8(e)(4)	10	1	100	1,000
Section 225.8(f)(3)(i)	2	1	16	32
Sections 225.8(g)(1), (3), and (4)	26	1	100	2,600
Section 225.8(g)(3)(iii)(A)	2	1	16	32
Section 225.8(g)(6)	2	1	16	32
<b>Recordkeeping</b>				
Section 225.8(e)(1)(i)	18	1	11,920	214,560
Large Complex Firms				
Section 225.8(e)(1)(i)	18	1	8,920	160,560
Large Non-Complex Firms				
Section 225.8(e)(1)(iii)	28	1	100	<u>2,800</u>
<i>Current Total</i>				420,036
<b>Proposed</b>				
<b>Reporting</b>				
Section 225.8(e)(1)(ii)	28	1	80	2,240
Section 225.8(e)(3)	36	1	1,005	36,180
Section 225.8(e)(4)	10	1	100	1,000
Section 225.8(f)(3)(i)	2	1	16	32
Sections 225.8(g)(1), (3), and (4)	26	1	100	2,600
Section 225.8(g)(3)(iii)(A)	2	1	16	32
Section 225.8(g)(6)	2	1	16	32
<b>Recordkeeping</b>				
Section 225.8(e)(1)(i)	36	1	8,920	321,120
Section 225.8(e)(1)(iii)	28	1	100	<u>2,800</u>
<i>Proposed Total</i>				366,036
<i>Change</i>				(54,000)

<sup>4</sup> 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](http://www.sba.gov/document/support--table-size-standards).

The current estimated total annual cost to the public for this information collection is \$24,194,074 and would decrease to \$21,083,674 with the adopted revisions.<sup>5</sup>

### **Sensitive Questions**

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

### **Cost to the Federal Reserve System**

The cost to the Federal Reserve System for the reporting requirements associated with the FR Y-13 is estimated to be \$106,400. This is equivalent to one full time employee on an annual basis. The other capital plan requirements, associated with the FR Y-13, have been integrated into the Board's existing supervisory process.

---

<sup>5</sup> 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 \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018*, published March 29, 2019, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).