

**Supporting Statement  
Annual Stress Test 2019 Proposal  
OMB Control No. 1557-0343**

**A. Justification**

1. *Circumstances that make the collection of information necessary:*

The annual stress test rule<sup>1</sup> implemented Section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>2</sup> (“Dodd-Frank Act”) which requires certain companies to conduct annual stress tests. National banks and Federal savings associations with total consolidated assets of more than \$10 billion were required to conduct annual stress tests and comply with reporting and disclosure requirements under the rule. The reporting templates for institutions with total consolidated assets of over \$50 billion were finalized in 2012.<sup>3</sup>

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) required certain financial companies, including national banks and Federal savings associations, to conduct annual stress tests<sup>4</sup> and requires the primary financial regulatory agency<sup>5</sup> of those financial companies to issue regulations implementing the stress test requirements.<sup>6</sup>

Under section 165(i)(2), a covered institution was required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.<sup>7</sup>

The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), enacted on May 24, 2018, amended certain aspects of the company-run stress testing requirement in section 165(i)(2) of the Dodd-Frank Act.<sup>8</sup> Specifically, section 401 of EGRRCPA raises the minimum asset threshold for financial companies covered by the company-run stress testing requirement from \$10 billion to \$250 billion in total consolidated assets; revise the requirement for banks to conduct stress tests “annually” and instead require them to conduct stress tests “periodically”; and no longer require the OCC to provide an “adverse” stress-testing scenario, thus reducing the number of required stress test scenarios from three to two.

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<sup>1</sup> October 9, 2012 – Final Rule (77 FR 61238)

<sup>2</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

<sup>3</sup> 77 FR 49485 (August 16, 2012); 77 FR 66663 (November 6, 2012).

<sup>4</sup> 12 U.S.C. 5365(i)(2)(A).

<sup>5</sup> 12 U.S.C. 5301(12).

<sup>6</sup> 12 U.S.C. 5365(i)(2)(C).

<sup>7</sup> 12 U.S.C. 5365(i)(2)(B).

<sup>8</sup> Pub. L. 115-174, 132 Stat. 1296-1368 (2018).

**2. *Use of the information:***

The OCC uses the information to assess the reasonableness of the stress test results of covered institutions and to provide forward-looking information to the OCC regarding a covered institution's capital adequacy. The OCC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered institution. The stress test results support ongoing improvement in a covered institution's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

Currently, § 46.6(c) requires that each covered institution establish and maintain a system of controls, oversight, and documentation, including policies and procedures, describing the covered institution's stress test practices and methodologies, and processes for validating and updating the covered institution's stress test practices. The board of directors of the covered institution must approve and review these policies at least annually. Section 46.7(a) requires each covered institution to report the results of their stress tests to the OCC annually. Section 46.8(a) requires that a covered institution publish a summary of the results of its annual stress tests on its website or in any other forum that is reasonably accessible to the public.

Under the final rule, the increase in the applicability threshold for these requirements under the proposal would reduce the estimated number of respondents. In addition the frequency of these reporting, recordkeeping, and disclosure requirements for some institutions would be decreased to biennial.

**3. *Consideration of the use of improved information technology:***

Respondents may use any method of improved technology that meets the requirements of the collection.

**4. *Efforts to identify duplication:***

The required information is unique and is not duplicative of any other information already collected.

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

The information collection does not have a significant impact on a substantial number of small businesses or other small entities.

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

Conducting the collection less frequently would not meet statutory requirements.

**7. *Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR part 1320:***

Not applicable.

**8. Efforts to consult with persons outside the agency:**

The information collection requirements were submitted to OMB in connection with the NPR, 84 FR 3345 (February 12, 2019). The OCC submitted the information collection requirements to OMB at the proposed rule stage (OMB Control No. 1557-0343). OMB filed a comment requesting that the OCC examine public comment in response to the proposed rule and include in the supporting statement of the submission to OMB at the final rule stage a description of how the agency has responded to any public comments on the information collection, including comments on maximizing the practical utility of the collection and minimizing the burden. The OCC did not receive any comments on the information collection requirements contained in the proposed rule and the OCC has resubmitted them to OMB in connection with the final rule.

**9. Payment or gift to respondents:**

None.

**10. Any assurance of confidentiality:**

The information collection request will be kept confidential to the extent permitted by law.

**11. Justification for questions of a sensitive nature:**

There are no questions of a sensitive nature.

**12. Burden estimate:**

Estimated number of respondents: 8 (biennial testing: 4; annual testing: 4)

Estimated burden per respondent:

Recordkeeping: 640 hours.

Reporting: 240 hours.

Disclosure: 160 hours.

Estimated total annual burden: 6,240 hours.

**Cost of Hour Burden**

**6,240 x \$114 = \$711,360.**

To estimate wages we reviewed May 2018 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities excluding nondepository credit intermediaries (NAICS 5220A1). To estimate compensation costs associated with the rule, we use \$114 per hour, which is based on the average of the 90th percentile for nine occupations adjusted for inflation (2.8 percent as of Q1 2019

according to the BLS), plus an additional 33.2 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2018 for NAICS 522: credit intermediation and related activities).

**13. Estimates of total annual costs to respondents (excluding cost of hour burden in Item #12):**

None.

**14. Estimate of annualized costs to the Federal government:**

OCC estimates no annualized cost to the Federal government.

**15. Change in burden:**

The increase in burden is due to the fact that this is a new collection.

**16. Information regarding collections whose results are to be published for statistical use:**

Not applicable.

**17. Reasons for not displaying OMB approval expiration date:**

Not applicable.

**18. Exceptions to the certification statement:**

There are no exceptions to the certification.

**B. Collections of Information Employing Statistical Methods.**

Not applicable.