

Supporting Statement for the Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102; OMB No. 7100-0365)

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, without revision, the Federal Financial Institutions Examination Council (FFIEC) Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102; OMB No. 7100-0365).

The market risk rule, which requires banking organizations to hold capital to cover their exposure to market risk, is an important component of the regulatory capital rules that have been adopted by the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, “the agencies”).¹ In order to implement the market risk rule, the agencies, acting under the auspices of the FFIEC, implemented the FFIEC 102, which collects key information from respondents on how they measure and calculate market risk under the regulatory capital rules. The Board’s market risk rule applies to state member banks (SMBs), bank holding companies (BHCs), covered savings and loan holding companies (covered SLHCs),² and intermediate holding companies (IHCs) with aggregate reported trading assets and trading liabilities equal to or greater than 10 percent of quarter-end total assets or \$1 billion (collectively, “Board-regulated respondents”).³ Board-regulated respondents must file the FFIEC 102 quarterly with the Board.

The estimated annual burden for the FFIEC 102 is 1,824 hours for Board-regulated respondents. The form and instructions are available on the FFIEC public website at www.ffiec.gov/ffiec_report_forms.htm.

Background and Justification

The market risk rule is an integral part of the Board’s revised regulatory capital framework. In order to monitor compliance with the market risk rule, the agencies implemented the FFIEC 102. The data reported on the FFIEC 102 improves the agencies’ ability to monitor the levels of, and trends in, the components that comprise the market risk measure under the market risk capital rule within and across institutions subject to the market risk rule (market risk institutions). Such component reporting allows supervisors to better understand on an ongoing basis the adjustments that individual market risk institutions may make to the risk measures derived from their internal models in order to reflect diversification. The data also enhances the agencies’ ability to perform institution-to-institution comparisons of the drivers underlying market risk institutions’ measures for market risk, identify potential outliers through market risk institution-to-peer comparisons, track these drivers over time relative to trends in other risk indicators at market risk institutions, and focus onsite examination efforts.

¹ The Board’s market risk rule appears at 12 CFR part 217, subpart F.

² See 12 CFR 217.2 (defining “covered savings and loan holding company”).

³ The FDIC and OCC will submit similar requests for OMB review with respect to the entities that they require to file the FFIEC 102.

The data collected by the FFIEC 102 also allows the agencies to better track growth in more credit-risk related, less liquid, and less actively traded positions. Historically, the risks of these products have been difficult to capture and measure. The data collected by the FFIEC 102 helps the agencies identify such risks and ensure that their impact is appropriately reflected in assessments of the safety and soundness of entities subject to the market risk rule.

Additionally, the information collected in the FFIEC 102 helps the agencies evaluate the impact and competitive implications of the market risk capital rule on individual market risk institutions and the industry as a whole, provides the agencies with the most current statistical data available to identify areas of market risk on which to focus onsite and offsite examinations, and assists market risk institutions in complying with the market risk rule.

The information collected by the FFIEC 102 is not available from other sources.

Description of Information Collection

The FFIEC 102 collects data on a consolidated basis and is subdivided into several sections and memoranda. The sum of data reported in each of the sections are used to calculate a market risk institution's risk-weighted assets (RWAs) for market risk. The first section collects data relating to a market risk institution's approved regulatory market risk models, including details of value-at-risk (VaR)-based measures. The second section collects information on a market risk institution's stressed VaR-based measures. The third section collects data relating to specific risk add-ons based on a market risk institution's debt, equity, and non-modeled securitization positions. Securitization positions are broken out for all market risk institutions and for advanced approaches institutions that are also market risk institutions, resulting in the separate reporting of a standardized measure and an advanced measure for specific risk. The fourth section collects data related to the risk capital rule's incremental risk capital requirement. The fifth section collects data on the comprehensive risk capital measurement, including the specific risk add-ons for net long and net short correlation trading positions used in determining a market risk institution's standardized comprehensive risk measure, and as applicable, its advanced comprehensive risk measure. The remaining section contains data elements for de minimis positions. Data elements from these sections combine to produce standardized market RWAs and, as applicable, advanced approaches market RWAs.

The FFIEC 102 also has a Memoranda section that is composed of 22 line items. Because these line items do not directly contribute to the determination of market RWAs, they are reported in the separate Memoranda section. These items provide additional insight into the risk profile of a market risk institution's trading activity. For example, the first twelve lines of the Memoranda section contribute to the agencies' understanding of the degree to which diversification effects across the principal market risk drivers are material.

Because market risk institutions have exposures in certain products that might fit into more than one of the specified risk categories (e.g., interest rate, equity, foreign exchange, commodities, and credit), for purposes of reporting the VaR- or stressed VaR-based measures on

the FFIEC 102, market risk institutions may classify their exposures in the same risk categories in which they are reported internally.

All market risk institutions must submit their completed reports electronically using the Federal Reserve's Reporting Central application. Market risk institutions with questions about reporting via Reporting Central should contact their Reporting and Reserves District Contact via the following website: <https://www.frb services.org/resources/central-bank/reporting-central.html>.

Respondent Panel

The FFIEC 102 panel for the Board comprises SMBs, BHCs, covered SLHCs, and IHCs with aggregate reported trading assets and trading liabilities equal to or greater than 10 percent of quarter-end total assets or \$1 billion.

Time Schedule for Information Collection

Market risk institutions must file the FFIEC 102 quarterly, as of the last calendar day of March, June, September, and December. The FFIEC 102 must be submitted through Reporting Central within 40 calendar days after the March 31, June 30, and September 30 as of dates and within 45 calendar days after the December 31 as of date. If the submission deadline falls on a weekend or federal holiday, the report must be received on the first business day after the weekend or holiday.

Public Availability of Data

The data submitted on the FFIEC 102 is shared among the agencies and made available to the public at: www.ffiec.gov/NPW.

Legal Status

The FFIEC 102 is authorized pursuant to section 9(6) of the Federal Reserve Act⁴ (for state member banks); section 5(c) of the Bank Holding Company Act⁵ (for BHCs); and section 10(b)(3) of the Home Owners' Loan Act⁶ (for covered SLHCs). With respect to IHCs, section 5(c) of the BHC Act, in conjunction with section 8 of the International Banking Act⁷, authorizes the Board to require FBOs and any subsidiary thereof to file the FFIEC 102. The FFIEC 102 is mandatory.

Information collected on the FFIEC 102 is generally made public. Individual respondents, however, may request that information submitted to the Board on the FFIEC 102 be kept confidential. If a respondent requests confidential treatment, the Board will determine

⁴ 12 U.S.C. § 324.

⁵ 12 U.S.C. § 1844(c).

⁶ 12 U.S.C. § 1467a(b)(3).

⁷ 12 U.S.C. § 3106.

whether the information is entitled to confidential treatment on a case-by-case basis. Information may be kept confidential under exemption 4 for the Freedom of Information Act (FOIA), which protects privileged or confidential commercial or financial information.⁸

Consultation Outside the Agency

The Board developed the FFIEC 102 in consultation with the FDIC and OCC. There has been no consultation outside the agency with respect to the proposed extension, without revision, of this collection of information.

Public Comments

On June 25, 2019, the agencies published a joint initial notice in the *Federal Register* (84 FR 29933) requesting public comment for 60 days on the extension, without revision, of the FFIEC 102. The comment period for this notice will expired on August 26, 2019, and no comments were received. On October 17, 2019, the agencies published a final notice in the *Federal Register* (84 FR 55685).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FFIEC 102 is 1,824 hours for Board-regulated respondents. The estimated number of respondents is based on the number of respondents as of December 31, 2018. These reporting requirements represent less than 1 percent of the total Board’s total paperwork burden.

	<i>Estimated number of respondents⁹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FFIEC 102	38	4	12	1,824

The estimated total annual cost to the public for this collection of information is \$105,062.¹⁰

⁸ 5 U.S.C. § 552(b)(4).

⁹ Of these respondents, none are considered a small entity as defined by the Small Business Administration (i.e., entities with \$600 million or less in total assets), www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

¹⁰ 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. 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 cost to the Federal Reserve System for collecting and processing this report is estimated to be \$263,300 per year.