

SUPPORTING STATEMENT

Advanced Capital Adequacy Framework Regulatory Reporting Requirements

FFIEC 101

OMB Control No. 1557-0239

The Office of the Comptroller of the Currency (OCC) requests approval from the Office of Management and Budget (OMB) to revise the Federal Financial Institutions Examination Council (FFIEC) Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101). The revisions to the FFIEC 101 that are the subject of this request have been approved by the FFIEC, of which the OCC, the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (the agencies) are members. The Board and the FDIC have also submitted a similar request for OMB review to request this information from banks under their supervision.

The Federal Deposit Insurance Act (FDI Act) and the International Lending Supervision Act of 1983 (ILSA) require the agencies to have risk-based capital requirements and to ensure that banks maintain adequate capital. The OCC uses these data to assess and monitor the levels and components of each reporting entity's risk-based capital requirements and the adequacy of the entity's capital under the framework. These data also allow the OCC to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the financial industry. The reporting schedules also assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the framework. The submitted data that is released publicly also provide other interested parties with information about banks' risk-based capital. Finally, the submitted data supplement on-site examination processes.

The OCC proposes to revise the FFIEC 101 to implement revised reporting consistent with various recent revisions to the risk-based capital rules, as discussed in the "Proposed Revisions" section below.

The current total annual burden for the FFIEC 101 would significantly decrease based on the proposed revisions.

Background and Justification

Section 1831(o) of the FDI Act requires each Federal banking agency to adopt a risk-based capital requirement, which is based on the prompt corrective action framework in that section. The ILSA (12 U.S.C. 3907(a)(1)) 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 appropriate federal banking agency may deem appropriate. Section 908 of the ILSA (12 U.S.C. 3907(b)(3)(C)) also directs the Chairman of the Board and the Secretary of the Treasury to encourage governments, central banks, and regulatory authorities of other

major banking countries to work toward maintaining and, where appropriate, strengthening the capital bases of banking institutions involved in international lending.

U.S. risk-based capital requirements are based on an internationally agreed framework for capital measurement that was developed by the Basel Committee on Banking Supervision (BCBS) and endorsed by the central-bank governors of the Group of Ten (G-10)¹ Countries in 1988. Although the 1988 Accord has been a stabilizing force for the international banking system, the world financial system has become increasingly more complex. The BCBS developed a new regulatory capital framework that recognizes new developments in financial products, incorporates advances in risk measurement and management practices, and more precisely assesses capital charges in relation to risk. In April 2003, the BCBS released for public comment a document entitled The Basel II Capital Accord that set forth proposed revisions to the 1988 Accord. Also, the agencies participated with other members of the BCBS during the development of the Basel II Capital Accord, which was issued in June 2004. The agencies also participated in the Fourth Quantitative Impact Study during the fall and winter of 2004-2005 (QIS 4), to better understand the potential impact of the proposed framework on the risk-based capital requirements for banks.

On December 7, 2007, the agencies published a final rule in the *Federal Register*, entitled Risk-Based Capital Standards: Advanced Capital Adequacy Framework – Basel II. This final rule was based on the Basel II Capital Accord and recognized developments in financial products, incorporated advances in risk measurement and management practices, and imposed capital requirements that are generally more sensitive to risk. In particular, the final rule required banks to assign risk parameters to exposures and provides specific risk-based capital formulas that would be used to transform these risk parameters in to risk-based capital requirements.

Included within the final rule are requirements for public disclosure of certain information at the consolidated banking organization level as well as a reference to certain additional regulatory reporting requirements for banks and bank holding companies. The additional regulatory reporting requirements referenced within the final rule, and described more fully herein, comprise the agencies' regulatory reporting requirements. Effective with the March 31, 2014, report date, the agencies incorporated the Basel III capital disclosure template in its entirety consistent with the revised regulatory capital rules and revised advanced approaches rules to calculate risk-weighted assets.

The OCC uses the data collected to:

- Assess the components of each bank's risk-based capital requirements,
- Assess each bank's capital relative to inherent risks and the OCC's minimum capital requirements,
- Monitor the levels and components of the risk-based capital requirements for banks through peer, outlier, and risk trend analyses,
- Evaluate the quantitative impact and competitive implications of the implementation of

¹ The Group of Ten is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States) which consult and cooperate on economic, monetary and financial matters.

the framework on risk-based capital levels within reporting banks and on an overall industry basis,

- Provide market participants, depositors, the public, supervisors, and other interested parties with information about banks' risk-based capital, and
- Supplement on-site examination processes and decisions pertaining to the allocation of supervisory resources.

In addition, this report assists supervised institutions in understanding expectations surrounding the system development necessary for implementation and validation of the framework.

The OCC monitors and assesses international active banks' conformance with capital adequacy standards and understand the capital resulting from the implementation of the framework. The general risk-based regulatory capital data submitted by international active banks does not provide enough relevant information regarding risk-based capital under the framework. Because 12 CFR 3 includes transitional arrangements that involve capital floors linked to the general risk-based capital rules, it is necessary to require data submissions under both the general risk-based capital rules and advanced risk-based capital frameworks for as long as a bank is subject to risk-based capital floors.

Proposed Revisions

The agencies are proposing reporting revisions to the FFIEC 101 to implement revisions from the associated final regulatory capital rules.

Capital Tailoring Final Rule

On November 1, 2019, the agencies published a final rule to revise the criteria for determining the applicability of regulatory capital and liquidity requirements for large U.S. banking organizations and the U.S. intermediate holding companies of certain foreign banking organizations (tailoring final rule).²

Under the tailoring final rule, the most stringent set of standards (Category I) applies to U.S. global systemically important banks (GSIBs). The second set of standards (Category II) applies to banking organizations that are very large or have significant international activity, but are not GSIBs. Like Category I, this category generally includes standards that are based on standards that reflect agreements reached by the Basel Committee on Banking Supervision. The third set of standards (Category III) applies to banking organizations with \$250 billion or more in total consolidated assets that do not meet the criteria for Category I or II. The third set of standards also applies to banking organizations with total consolidated assets of \$100 billion or more, but less than \$250 billion, that meet or exceed other specified risk-based indicators. The fourth set of standards (Category IV) applies to banking organizations with total consolidated assets of \$100 billion or more that do not meet the thresholds for one of the other categories. The proposed revisions to the FFIEC 101 would revise the scope of reporting as follow:

² 84 FR 59230.

- Exempt all Category IV institutions from completing any part of the FFIEC 101.
- Exempt all Category III institutions, other than top-tier holding companies, from completing any part of the FFIEC 101.
- Exempt Category III top-tier holding companies from completing the FFIEC 101, except for Schedule A, SLR Tables 1 & 2.

These proposed revisions are expected to significantly decrease burden for Category III and IV institutions.

Supplementary Leverage Ratio for Custodial Banks Final Rule

On November 19, 2019, the agencies announced that they had finalized the proposed revisions to the SLR for certain central bank deposits of banking organizations predominantly engaged in custodial activities.³ The final rule, which implements section 402 of the EGRRCPA, takes effect April 1, 2020. The final rule generally allows for a deduction of custodial assets from the supplementary leverage ratio calculation of qualifying custodial banks.

To implement the reporting associated with the final rule, the agencies propose to revise the total leverage exposure calculation that would be reported on the FFIEC 101 Schedule A through the addition of a new data item for the qualifying central bank deduction to the calculations of the total leverage exposure in SLR Tables 1 and 2 of this schedule. The new reporting item would be placed between existing data items 1.7 and 1.8 in SLR Table 1 and between data items 2.2 and 2.3 in SLR Table 2.

The proposed revisions are expected to have a de minimis impact on reporting burden for custodial banks.

Standardized Approach for Counterparty Credit Risk Final Rule

On November 19, 2019, the agencies announced that they had adopted a final rule implementing a new approach for calculating the exposure amount of derivative contracts under the capital rule: the standardized approach for counterparty credit risk (SA-CCR final rule).⁴ The SA-CCR final rule takes effect April 1, 2020 with a mandatory compliance date of January 1, 2022.

The SA-CCR final rule replaces the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches institutions. The final rule requires Category I and II banking organizations (as described in the Capital Tailoring Final Rule), to use SA-CCR to calculate their standardized total risk-weighted assets and permits non-advanced approaches banking organizations the option of using SA-CCR in place of CEM to calculate the exposure amount of their noncleared and cleared derivative contracts.

To implement the reporting associated with the final rule, the agencies are revising the instructions for the FFIEC 101, Schedule A, SLR Table 2, to require institutions using the SA-

³ See the custodial bank SLR final rule attached to OCC [News Release 2019-135](#), dated November 19, 2019.

⁴ See the SA-CCR final rule attached to OCC [News Release 2019-136](#), dated November 19, 2019.

CCR methodology to report derivatives exposures consistent with that new methodology, rather than under the prior CEM methodology.

The proposed revisions are expected to have a limited impact on Category I and II institutions, primarily at adoption, as they are replacing one calculation method (CEM) with the new SA-CCR method. The new SA-CCR reporting may be slightly more efficient as it could leverage existing internal bank reporting for risk management purposes.

High Volatility Commercial Real Estate (HVCRE) Final Rule

On December 13, 2019, the agencies published a final rule that conforms the HVCRE exposure definition in section 2 of the capital rule⁵ to the statutory definition of an HVCRE ADC loan⁶ and clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition (HVCRE final rule).⁷ This final rule takes effect April 1, 2020.

The proposed revisions make an instructional change to the FFIEC 101, Schedule G (Wholesale exposures) in connection with the statutory revision to the definition.

The proposed revisions are expected to have a *de minimis* impact on institutions filing the FFIEC 101, as the new HVCRE definition is not significantly different from the prior HVCRE definition.

A. JUSTIFICATION.

1. Circumstances that make the collection necessary:

The OCC is charged with assuring the safety and soundness of national banks and Federal savings associations. (12 U.S.C. 1). In carrying out those duties, banks must submit information to the OCC: 12 U.S.C. 161 (national banks) and 12 U.S.C. 1464 (savings associations). The OCC uses this information to assess and monitor the levels and components of each bank's risk-based capital requirements and the adequacy of the entity's capital under the Advanced Capital Adequacy Framework, which is a significant component of a bank's safety and soundness.

2. Use of the information:

The OCC uses the information to assess and monitor the levels and components of each bank's risk-based capital requirements and the adequacy of the entity's capital under the Advanced Capital Adequacy Framework. The data allows the OCC to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the industry. The reporting schedules assist banks in understanding expectations surrounding the

⁵ See 12 CFR 3.2 (OCC).

⁶ See Section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018.

⁷ 84 FR 68019 (December 13, 2019).

system development necessary for implementation and validation of the framework. The data also improves the OCC's ability to monitor bank activities through the examination processes.

The purpose of the detailed reports, identified below, is to obtain information that broadly reflects risk segments within each portfolio. The reports enable the OCC to conduct off-site assessment of banks' regulatory capital calculations, perform trend analyses of capital changes, conduct peer analyses of capital and risk parameters, and direct the focus of on-site examination efforts.

The information is collected using the form "FFIEC 101." The FFIEC 101 contains nineteen schedules, A through S, for banks to submit detailed data on the components of their capital and risk-weighted assets.

Schedule A includes information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital. It also includes Tables 1 and 2 for the Supplementary Leverage Ratio.

Schedule B contains: summary information about risk-weighted assets by risk type; and, for credit risk exposures, outstanding balances and aggregated information about the drivers and estimates on which the calculation of risk-weighted assets are based.

Schedules C-J include data items within the wholesale exposure category for banks' risk-weighted assets.

Schedules K-O are data items within the retail exposure category and each schedule represents a sub-portfolio of the retail exposure category for banks' risk-weighted assets.

Schedules P and Q are data items within the securitization exposure class for banks' risk-weighted assets.

Schedule R provides: information about a bank's equity exposures by type of exposure and by approach to measuring required capital; and information on equity exposures subject to specific weights and equity exposures to investment funds.

Schedule S provides data within the operational risk exposure class. The data items include details about historical operational losses for the reporting period and those used to model operational risk capital.

3. Consideration of the use of improved information technology:

Banks must file the information required under this collection electronically. Any information technology that permits review by OCC examiners may be used.

4. Efforts to identify duplication:

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

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

Small banks are not impacted by this collection. The FFIEC 101 is only required for Category I and II institutions, and Category III top-tier holding companies, all of which have consolidated total assets of \$250 billion or more.

6. Consequences if the collection were conducted less frequently:

The OCC would not be able to adequately monitor capital levels and ensure safety and soundness of national banks and Federal savings associations in a timely manner.

7. Special circumstances:

There are no special circumstances in this collection.

8. Efforts to consult with persons outside the agency:

The OCC, along with the FDIC and Board, requested comment for 60 days on the proposed changes through a notice published in the Federal Register on October 4, 2019. See 84 FR 53227.

The agencies received comments on the proposals covered in the notice from four entities: three bankers' association and a bank.

Capital Tailoring Final Rule

Two commenters requested that the agencies exempt Category III top-tier holding companies from filing the FFIEC 101 in its entirety, as they claimed the information in Schedule A, SLR Tables 1 and 2 duplicated information collected on the Board's FR Y-15 and the Pillar 3 disclosures.

The agencies disagree with the commenters. The FFIEC 101, Schedule A, SLR Tables 1 and 2 are the sole source of data collected. These data are automatically transferred over into the bank's FR Y-15 report by Board systems, which creates no burden or duplication for institutions. In addition, the Pillar 3 disclosures merely require any disclosure of supplementary leverage ratio data, and therefore is fully satisfied by the institution filing the FFIEC 101, Schedule A, SLR Tables 1 and 2 and imposes no additional duplicative burden on the institution.

The agencies did not receive comment on any of the other proposed revisions to the FFIEC 101.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

The FFIEC 101 information collections are generally given confidential treatment (5 U.S.C. 552(b)(4)). However, the agencies make public the information collected on the FFIEC 101 Schedule A, except for a few advanced approaches-specific line items identified below, for all advanced approaches institutions regardless of their parallel run status starting with the report for the March 31, 2014, report date. For report dates after the reporting institution conducts a satisfactory parallel run Schedules A and B, as well as line items 1 and 2 of Schedule S, of the institution's FFIEC 101 are no longer given confidential treatment.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

Estimated Number of Respondents: 5 national banks and savings associations.

Estimated Time per Response: 674 burden hours per quarter to file.

Estimated Total Annual Burden: 13,480 hours.

Cost of Hour Burden to Respondents:

13,480 hours x \$114 = \$1,536,720

To estimate wages we reviewed data from May 2018 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. Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12):

Not applicable.

14. Estimate of annualized costs to the Federal government:

Not applicable.

15. Change in burden:

Prior burden: 14 Respondents x 675 hours/quarter x 4 quarters = 37,800 hours
New burden: 5 respondents x 674 hours/quarter x 4 quarters = 13,480 hours

Total estimated burden decreased by 24,320 hours. A reduction of 24,300 hours was due to the exemption of 9 OCC-supervised Category III and IV institutions from filing the FFIEC 101. A reduction of 20 hours was due to efficiencies associated with changes for the SA-CCR final rule to better align reporting with banks' internal risk-management reporting.

16. Publication of information for statistical purposes:

The OCC is not publishing the information for statistical purposes.

17. Reasons for not displaying OMB approval expiration date:

Not applicable.

18. Exceptions to the certification statement in Item 19 of OMB Form 83-I:

None.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS.

Not applicable.