

**Supporting Statement for the
Financial Statements for Holding Companies
(FR Y-9 Reports; OMB No. 7100-0128)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), revised the Financial Statements for Holding Companies (FR Y-9; OMB No. 7100-0128) pursuant to its authority to approve temporarily a collection of information without providing opportunity for public comment.¹ This information collection comprises the following five reports:

- Consolidated Financial Statements for Holding Companies (FR Y-9C),
- Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP),
- Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP),
- Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and
- Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Board requires bank holding companies, most savings and loan holding companies (SLHCs), any securities holding companies, and U.S. intermediate holding companies (collectively HCs) to provide standardized financial statements through one or more of the FR Y-9 reports.² The information collected on the FR Y-9 reports is necessary for the Board to identify emerging financial risks and monitor the safety and soundness of HC operations.

In response to recent economic disruptions and volatility in U.S. financial markets caused by the spread of Coronavirus Disease 2019 (COVID-19), the Board temporarily revised the FR Y-9C effective for the March 31, 2020, as-of date. This supporting statement describes temporary revisions to the FR Y-9C that were adopted in connection with three interim final rules (IFRs) related to COVID-19. The temporary revisions to the FR Y-9C are consistent with recently approved revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). No revisions were made to the FR Y-9LP, FR Y-9SP, FR Y-9ES, or FR Y-9CS.

The current estimated total annual burden for the FR Y-9 reports is 119,667 hours. The temporary revisions did not result in a change to the estimated burden hours. The FR Y-9 forms and instructions are available on the Board's public website at <http://www.federalreserve.gov/apps/reportforms/default.aspx>.

¹ 5 CFR Part 1320, Appendix A (1)(a)(3)(i)(A).

² An SLHC must file one or more of the FR Y-9 family of reports unless it is (1) a grandfathered unitary SLHC with primarily commercial assets and thrifts that make up less than 5 percent of its consolidated assets or (2) a SLHC that primarily holds insurance-related assets and does not otherwise submit financial reports with the U.S. Securities and Exchange Commission pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

Background and Justification

The FR Y-9 reports are the Board's primary source of financial data on HCs. Federal Reserve System examiners rely on the FR Y-9 reports to supervise financial institutions between on-site inspections. The Board uses the collected data to detect emerging financial problems, conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate mergers and acquisitions, and analyze a HC's overall financial condition to monitor the safety and soundness of its operations. The information collected by the FR Y-9 reports is not available from other sources.

Description of Information Collection

The FR Y-9C consists of standardized financial statements similar to the Call Reports filed by commercial banks. The FR Y-9C collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of \$3 billion or more.³

The FR Y-9LP, which collects parent company only financial data, must be submitted by each HC that files the FR Y-9C, as well as by each of its subsidiary HCs.⁴ The report consists of standardized financial statements.

The FR Y-9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than \$3 billion. In a banking organization with total consolidated assets of less than \$3 billion that has tiered HCs, each HC in the organization must submit, or have the top-tier HC submit on its behalf, a separate FR Y-9SP. This report collects basic balance sheet and income data for the parent company, as well as data on its intangible assets and intercompany transactions.

The FR Y-9ES is filed annually by each employee stock ownership plan (ESOP) that is also an HC. The report collects financial data on the ESOP's benefit plan activities. The FR Y-9ES consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The instructions to each of the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES state that respondent HCs should retain workpapers and other records used in the preparation of the reports.

The FR Y-9CS is a voluntary, free-form supplemental report that the Board may utilize to collect critical additional data from HCs deemed to be needed in an expedited manner. The FR Y-9CS data collections are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports. The data requested by the FR Y-9CS would depend on the Board's data needs in a given situation. For example, changes made by the Financial Accounting Standards Board may introduce into U.S. generally accepted

³ Under certain circumstances described in the FR Y-9C's General Instructions, HCs with assets under \$3 billion may be required to file the FR Y-9C.

⁴ A top-tier HC may submit a separate FR Y-9LP on behalf of each of its lower-tier HCs.

accounting principles new data items that are not currently collected by the other FR Y-9 reports. The Board could use the FR Y-9CS report to collect these data until the items are implemented into the other FR Y-9 reports.⁵

Respondent Panel

The FR Y-9 reports panel is comprised of HCs. Specifically, the FR Y-9C panel consists of top-tier HCs with total consolidated assets of \$3 billion or more; FR Y-9LP panel consists of each HC that files the FR Y-9C, as well as by each of its subsidiary HCs; FR Y-9SP panel consists of HCs with total consolidated assets of less than \$3 billion; FR Y-9ES panel consists of each employee stock ownership plan (ESOP) that is also an HC; and FR Y-9CS panel consists of any HC the Board selects.

Adopted Revisions

The delegation of authority to the Board from OMB that permits the Board to approve collections of information under the Paperwork Reduction Act includes the authority to temporarily approve a collection of information without seeking public comment. To exercise this authority, the Board must determine that a new collection of information or a change to an existing collection must be instituted quickly and that public participation in the approval process would substantially interfere with the Board's ability to perform its statutory obligation. Following the temporary approval of an information collection, the Board must conduct a normal delegated review of the collection within six months, including publishing in the *Federal Register* a notice seeking public comment.

Recent events have suddenly and significantly impacted financial markets. The spread of COVID-19 has disrupted economic activity in many countries. In addition, U.S. financial markets have experienced significant volatility. The magnitude and persistence of the overall effects on the economy remain highly uncertain. In light of these developments, HCs may realize a sudden, unanticipated drop in capital ratios and liquidity. This could create a strong incentive for these HCs to limit their lending and other financial intermediation activities in order to avoid facing abrupt regulatory capital and liquidity limitations.

In late March 2020, the Board issued three IFRs to amend its regulatory capital and liquidity rules to facilitate banking organizations' use of the Board's emergency facilities and support prudent lending by banking organizations. The IFRs were issued with immediate effective dates. In order to reflect these changes to the Board's regulatory capital and liquidity rules, the Board temporarily revised FR Y-9C Schedule HC-R, Regulatory Capital Schedule, Part I and II. Delaying the revisions described below would have resulted in the collection of inaccurate information and caused public harm by preventing banking organizations from using the relief provided by the IFRs, as described below.

⁵ The FR Y-9CS was most recently used by the Board on June 30, 2008. In that collection, data were requested from banking organizations implementing an Advanced Measurement Approach to calculate operational risk capital under the Basel II Risk-Based Capital Framework. The report was used to conduct a voluntary Loss Data Collection Exercise relating to operational risk.

Eligible Retained Income

Under the capital rule, an HC must maintain a minimum amount of regulatory capital. In addition, an HC must maintain a buffer of regulatory capital above its minimum capital requirements to avoid restrictions on capital distributions.

On March 20, 2020, the Board, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) (collectively the agencies) adopted an IFR (ERI IFR)⁶ that revises the definition of eligible retained income in the agencies' capital rule. This change will allow HCs to more freely use their capital buffers, and should help to promote lending and other financial intermediation activities by HCs and avoid compounding disruptions due to COVID-19.

Previously, an HC's eligible retained income was net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income. Under the ERI IFR, an HC eligible retained income is defined as the greater of (1) an HC's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income and (2) the average of an HC's net income over the four preceding calendar quarters.

In order to reflect the definition of eligible retained income, as amended by the ERI IFR, the Board temporarily revised the calculation on the FR Y-9C report, Schedule HC-R, Part I, Item 51, "Eligible retained income."⁷ For Schedule HC-R, Part I, item 51, "four preceding calendar quarters" refers to the calendar quarter ending on the last day of the reporting period and the three preceding calendar quarters. The average of an HC's net income over the four preceding calendar quarters refers to average of three-month net income for the calendar quarter ending on the last of the reporting quarter and three-month net income for the three preceding calendar quarters.

Money Market Mutual Fund Liquidity Facility (MMLF)

The Federal Reserve established the MMLF on March 18, 2020, to broaden its program of support for the flow of credit to households and businesses. Under the program, the Federal Reserve Bank of Boston will make loans available to eligible financial institutions secured by high-quality assets purchased by the financial institution from money market mutual funds. On March 23, 2020, the agencies published an interim final rule (MMLF IFR),⁸ which permits banking organizations⁹ to exclude exposures related to the MMLF from regulatory capital requirements.

⁶ 85 FR 15909 (March 20, 2020).

⁷ The ERI IFR also applies to the U.S. intermediate holding companies of foreign banking organizations required to be established or designated under 12 CFR 252.153.

⁸ 85 FR 16232 (March 23, 2020).

⁹ For purposes of the MMLF, "banking organizations" consist of all U.S. depository institutions, U.S. bank holding companies (parent companies incorporated in the United States or their U.S. broker-dealer subsidiaries), and U.S. branches and agencies of foreign banks, but does not include savings and loan holding companies.

The MMLF IFR modifies the Board’s capital rule to allow HCs to neutralize the effects of purchasing assets through the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio (CBLR). Specifically, an HC may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired pursuant to a non-recourse loan from the MMLF. The interim final rule only applies to activities with the MMLF. The facility is scheduled to terminate on September 30, 2020, unless the facility is extended by the Board.

Reporting Revisions

The Board approved temporary revisions to the FR Y-9C to reflect the MMLF IFR. Starting with the March 31, 2020, reporting date, HCs would include the amount of assets purchased from money market mutual funds under the MMLF in Schedule HC-B and Schedule HC-R, as appropriate. For regulatory capital reporting, assets purchased from money market mutual funds under the MMLF are reported in either Schedule HC-R, Part II, item 2.a, “Held-to-maturity securities,” or Schedule HC-R, Part II, item 2.b, “Available-for-sale debt securities and equity securities with readily determinable fair values not held for trading,” as appropriate, in both Column A (Totals) and Column C (0% risk-weight category).¹⁰ The average of such assets purchased are reported in Schedule HC-R, part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from Schedule HC-R, item 30, “Total assets for the leverage ratio.”

Borrowings from the Federal Reserve Bank of Boston are included in Schedule HC, item 16, “Other borrowed money,” and included in Schedule HC-M, item 14.b, “Other borrowed money with a remaining maturity of one year or less.”

Furthermore, HCs are encouraged to separately disclose in “Notes to the Balance Sheet - Other” the amount of assets purchased from money market mutual funds under the MMLF included in Schedule HC-R, Part II, item 2.a or 2.b. In addition, HCs are to separately disclose in a similar narrative, the average amount of assets purchased from money market mutual funds under the MMLF that were excluded from Schedule HC-R, item 30.

If a consolidated broker-dealer subsidiary of the reporting holding company has purchased assets from money market mutual funds under the MMLF that the holding company reports as “Other assets” on its consolidated balance sheet for financial reporting purposes, the holding company is to also report these assets as “Other assets” on FR Y-9C report, Schedule HC, Balance Sheet. Further, for risk-based capital purposes, these assets are reported in Schedule HC-R, Part II, item 8, “Other Assets,” with a zero percent risk weight.

Current Expected Credit Losses (CECL) Revised Transition

The agencies published an IFR¹¹ on March 31, 2020, that delays the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No.

¹⁰ Reporting in Schedule HC-R, Part II, only applies to non CBLR holding companies.

¹¹ 85 FR 17723 (March 31, 2020).

2016-13, Financial Instruments - Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (CECL IFR). The CECL IFR provides HCs that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (the 2020 CECL transition).

Reporting Revisions

The Board temporarily revised the calculation on the FR Y-9C, Schedule HC-R, Part I, Items 2 (Retained earnings), 2.a (CECL Transition), 15.a and 15.b (Less: DTAs arising from temporary differences), 27 (Average total consolidated assets), 40.a (Allowance for Loan and Lease Losses includable in Tier 2 capital), 40.b (Eligible credit reserves includable in tier 2 capital), and Schedule HC-R, Part II, Item 8 (All other assets), to reflect the provisions of the CECL IFR.

Time Schedule for Information Collection

The FR Y-9C and FR Y-9LP are filed quarterly as of the last calendar day of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the last calendar day of June and December, and the filing deadline is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31, and the filing deadline is July 31 of the following year, unless an extension to file by October 15 is granted. Respondents will be notified of the filing deadline for the FR Y-9CS if it is utilized by the Board.

Public Availability of Data

Data from the FR Y 9 reports that are not granted confidential treatment are publicly available on the FFIEC website: <https://www.ffiec.gov/NPW>.

Legal Status

The Board has the authority to impose the reporting and recordkeeping requirements associated with the FR Y-9 family of reports on bank holding companies pursuant to section 5 of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844); on savings and loan holding companies pursuant to section 10(b)(2) and (3) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2) and (3)), as amended by sections 369(8) and 604(h)(2) of the Dodd-Frank Wall Street and Consumer Protection Act (Dodd-Frank Act); on U.S. intermediate holding companies pursuant to section 5 of the BHC Act (12 U.S.C § 1844), as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. §§ 511(a)(1) and 5365);¹² and on

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 of 1978 (12 U.S.C. § 3106(a)). The

securities holding companies pursuant to section 618 of the Dodd-Frank Act (12 U.S.C. § 1850a(c)(1)(A)). Except for the FR Y-9CS report, which is expected to be collected on a voluntary basis, the obligation to submit the remaining reports in the FR Y-9 series of reports and to comply with the recordkeeping requirements set forth in the respective instructions to each of the other reports, is mandatory.

With respect to the FR Y-9C report, Schedule HI's data item 7(g) "FDIC deposit insurance assessments," Schedule HC P's data item 7(a) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to U.S. government agencies and government sponsored agencies," and Schedule HC P's data item 7(b) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to other parties" are considered confidential commercial and financial information. Such treatment is appropriate under exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)) because these data items reflect commercial and financial information that is both customarily and actually treated as private by the submitter, and which the Board has previously assured submitters will be treated as confidential. It also appears that disclosing these data items may reveal confidential examination and supervisory information, and in such instances, this information would also be withheld pursuant to exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)), which protects information related to the supervision or examination of a regulated financial institution.

In addition, for both the FR Y-9C report, Schedule HC's memorandum item 2.b and the FR Y-9SP report, Schedule SC's memorandum item 2.b, the name and email address of the external auditing firm's engagement partner, is considered confidential commercial information and protected by exemption 4 of the FOIA (5 U.S.C. § 552(b)(4)) if the identity of the engagement partner is treated as private information by HCs. The Board has assured respondents that this information will be treated as confidential since the collection of this data item was proposed in 2004.

Aside from the data items described above, the remaining data items on the FR Y-9C report and the FR Y-9SP report are generally not accorded confidential treatment. The data items collected on FR Y-9LP, FR Y-9ES, and FR Y-9CS¹³ reports, are also generally not accorded confidential treatment. As provided in the Board's Rules Regarding Availability of Information (12 CFR Part 261), however, a respondent may request confidential treatment for any data items the respondent believes should be withheld pursuant to a FOIA exemption. The Board will

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 foreign banking organizations 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. intermediate holding company is treated as a bank holding company 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 bank holding companies, section 5(c) provides additional authority to require U.S. intermediate holding companies to report the information contained in the FR Y-9 series of reports.

¹³ The FR Y-9CS is a supplemental report that may be utilized by the Board to collect additional information that is needed in an expedited manner from HCs. The information collected on this supplemental report is subject to change as needed. Generally, the FR Y-9CS report is treated as public. However, where appropriate, data items on the FR Y-9CS report may be withheld under exemptions 4 and/or 8 of the Freedom of Information Act (5 U.S.C. § 552(b)(4) and (8)).

review any such request to determine if confidential treatment is appropriate, and will inform the respondent if the request for confidential treatment has been denied.

To the extent the instructions to the FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-9ES reports each respectively direct the financial institution to retain the workpapers and related materials used in preparation of each report, such material would only be obtained by the Board as part of the examination or supervision of the financial institution. Accordingly, such information is considered confidential pursuant to exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)). In addition, the financial institution's workpapers and related materials may also be protected by exemption 4 of the FOIA, to the extent such financial information is treated as confidential by the respondent (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

The Board coordinated and consulted with the FDIC and the OCC in regard to the revisions to the FR Y-9C.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-9 is 119,667 hours, and is unchanged with the temporary revisions. These reporting and recordkeeping requirements represent 1.34 percent of the total Federal Reserve System paperwork burden.

FR Y-9	<i>Estimated number of respondents¹⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Reporting</i>				
FR Y-9C (non AA HCs CBLR) with less than \$5 billion in total assets	71	4	29.14	8,276
FR Y-9C (non AA HCs CBLR) with \$5 billion or more in total assets	35	4	35.11	4,915
FR Y-9C (non AA HCs non CBLR) with less than \$5 billion in total assets	84	4	40.98	13,769
FR Y-9C (non AA HCs non CBLR) with \$5 billion or more in total assets	154	4	46.95	28,921
FR Y-9C (AA HCs)	19	4	48.59	3,693
FR Y-9LP	434	4	5.27	9,149
FR Y-9SP	3,960	2	5.40	42,768
FR Y-9ES	83	1	0.50	42
FR Y-9CS	236	4	0.50	472
<i>Recordkeeping</i>				
FR Y-9C	363	4	1.00	1,452
FR Y-9LP	434	4	1.00	1,736
FR Y-9SP	3,960	2	0.50	3,960
FR Y-9ES	83	1	0.50	42
FR Y-9CS	236	4	0.50	<u>472</u>
<i>Total</i>				119,667

The estimated total annual cost to the public for the FR Y-9 is \$6,910,769 and would not change with the adopted revisions.¹⁵

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

¹⁴ Of these respondents, 4 FR Y-9C (non AA HCs non CBLR) with less than \$5 billion in total assets filers; 177 FR Y-9LP filers; 3,153 FR Y-9SP filers; and 83 FR Y-9ES filers are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://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 \$20, 45% Financial Managers at \$71, 15% Lawyers at \$70, and 10% Chief Executives at \$93). 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 2019*, published March 31, 2020, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these information collections is \$2,050,800.