

**Supporting Statement for the
Reporting and Disclosure Requirements Associated with Regulation LL
(FR LL; OMB No. 7100-NEW)**

*Prudential Standards for Large Bank Holding Companies,
Savings and Loan Holding Companies, and Foreign Banking Organizations
(Docket No. R-1658; RIN 7100-AF45)*

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has implemented the Reporting and Disclosure Requirements Associated with Regulation LL (FR LL; OMB No. 7100-NEW). In November 2019, the Board amended its Regulation LL - Savings and Loan Holding Companies (12 CFR 238) to require certain savings and loan holding companies (SLHCs) to conduct company-run periodic stress tests.¹ Specifically, a domestic covered SLHC² must conduct a company-run stress test if it is a Category II SLHC or a Category III SLHC, as defined by section 238.10 of Regulation LL, or if it has average total consolidated assets of greater than \$250 billion, and a foreign SLHC must conduct a company-run stress test if it has average total consolidated assets of greater than \$250 billion.³ This information collection consists of provisions in the amended Regulation LL that require a SLHC to report the results of its company-run stress tests to the Board and to publicly disclose a summary of the results such stress tests.

The estimated total annual burden for the FR LL is 145 hours. There is no formal reporting form for this information collection (the FR LL designation is for internal purposes only).

Background and Justification

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)⁴ requires nonbank financial companies supervised by the Board and financial institutions with total consolidated assets equal to or greater than \$250 billion to conduct periodic company-run stress tests and to provide to the Board and their primary federal regulator reports regarding such stress tests. Pursuant to section 165, the Board has established rules regarding company-run stress tests conducted by SLHCs with total consolidated assets equal to or greater than \$250 billion.

Additionally, section 165 permits the Board, subject to certain conditions, to apply any prudential standard established under that section, including company-run stress tests, to bank holding companies with total consolidated assets equal to or greater than \$100 billion. Pursuant

¹ Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 FR 59032 (November 1, 2019) (the tailoring rule).

² See 12 CFR 238.2(ff) (defining “covered savings and loan holding company”).

³ 12 CFR 238.142.

⁴ 12 U.S.C. § 5365.

to this authority, the Board has established rules requiring certain bank holding companies with less than \$250 billion in total consolidated assets to conduct company-run stress tests. Pursuant to section 10(g) of the Home Owners' Loan Act (HOLA),⁵ the Board has established requirements regarding company-run stress tests for similarly-situated SLHCs with less than \$250 billion in total consolidated assets.

In November 2019, the Board adopted the tailoring rule, which, among other things, moved the Board's rules regarding company-run stress tests by SLHCs from Regulation YY - Enhanced Prudential Standards (12 CFR 252) to Regulation LL and modified the scope of applicability of those rules.

Description of Information Collection

Reporting Requirements

Section 238.162(b)(1)(ii) of Regulation LL requires that, unless the Board otherwise determines in writing, a foreign SLHC must conduct an annual stress test of its U.S. subsidiaries. The test must address whether those subsidiaries have the capital necessary to absorb losses as a result of adverse economic conditions. The foreign SLHC must report on at least a biennial basis a summary of the results of the stress test to the Board. The summary must include a description of the types of risks included in the stress test, a description of the conditions or scenarios used in the stress test, a summary description of the methodologies used in the stress test, estimates of aggregate losses, pre-provision net revenue, total loan loss provisions, net income before taxes and pro forma regulatory capital ratios required to be computed by the home-country supervisor of the foreign SLHC and any other relevant capital ratios, and an explanation of the most significant causes for any changes in regulatory capital ratios.

Section 238.145 of Regulation LL requires a domestic SLHC that is required to conduct company-run stress tests to report the results of its company-run stress tests to the Board. Such SLHCs report their stress test results using the Capital Assessments and Stress Testing (FR Y-14A; OMB No. 7100-0341). Because this reporting requirement is accounted for by the FR Y-14 clearance, it is not accounted for in the FR LL.

Disclosure Requirements

Section 238.146 of Regulation LL requires that a domestic SLHC that is required to conduct a company-run stress test must publicly disclose a summary of the results of the stress test within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to section 238.134 of Regulation LL. The summary required under this section may be disclosed on the website of a covered company, or in any other forum that is reasonably accessible to the public.

Respondent Panel

The FR LL panel comprises foreign SLHCs with average total consolidated assets of

⁵ 12 U.S.C. § 1467a(g).

greater than \$250 billion, Category II SLHCs, Category III SLHCs, and domestic covered SLHCs with average total consolidated assets of greater than \$250 billion.

Time Schedule for Information Collection

Foreign SLHCs that must conduct a company-run stress test must report a summary of their stress test results to the Board at least every other year. Domestic SLHCs that must conduct a company-run stress test and must disclose publicly a summary of the results of such tests within 15 days of the Board disclosing the results of its supervisory stress test of that company.

Public Availability of Data

Domestic SLHCs make a summary of the results of their stress tests publicly available, either on their website or in any other forum that is reasonably accessible to the public.

Legal Status

The FR LL is authorized by section 165 of the Dodd-Frank Act, which requires, among other things, financial companies that have total consolidated assets of more than \$250 billion to conduct company-run stress tests (12 U.S.C. § 5365). Section 165 requires firms that conduct company-run stress tests to report the results to the Board and requires the Board to issue rules for company-run stress tests (for companies supervised by the Board) that include a requirement for the companies to publish a summary of the results of the company-run stress tests. Pursuant to section 10(g) of HOLA (12 U.S.C. § 1467a(g)), the Board has applied company-run stress testing requirements, including the reporting and disclosure requirements, to certain SLHCs that do not have total consolidated assets of more than \$250 billion. The Board is also authorized to collect information from SLHCs under section 10(b)(2) of HOLA (12 U.S.C. § 1467a(b)(2)). The information collections under FR LL are mandatory.

The information collected through the FR LL is collected as part of the Board's supervisory process, and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA), which protects information contained in "examination, operating, or condition reports" obtained in the bank supervisory process (5 U.S.C. § 552(b)(8)). In addition, the information may also be kept confidential under exemption 4 for the FOIA, which protects commercial or financial information obtained from a person that is privileged or confidential (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On November 29, 2018, the Board published a notice of proposed rulemaking on tailoring prudential requirements for U.S. banking organizations in the *Federal Register* (83 FR 61408) for public comment. The comment period for this notice expired on January 22, 2019. On

May 15, 2019, the Board published a notice of proposed rulemaking on tailoring prudential requirements for foreign banking organizations in the *Federal Register* (84 FR 21988) for public comment. The comment period for this notice expired on June 21, 2019. The Board did not receive any specific comments related to the Paperwork Reduction Act (PRA) analysis. On November 1, 2019, the Board published a final rule on tailoring prudential requirements in the *Federal Register* (84 FR 59032). The final rule became effective on December 31, 2019.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR LL is 145 hours. Currently, there are no foreign SLHCs in existence, and only one domestic covered SLHC. The table shows an estimate of one respondent. These reporting and disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

FR LL	<i>Estimated number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting				
Section 238.162(b)(1)(ii)	1	0.5	80	40
Disclosure				
Section 238.146 (Initial setup)	1	0.5	150	75
Section 238.146	1	0.5	60	<u>30</u>
<i>Total</i>				<u>145</u>

The estimated total annual cost to the public for the FR LL is \$8,374.⁷

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 is negligible.

⁶ Of these respondents, none 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>.

⁷ 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/>.