

**Supporting Statement for the
Reporting Requirements Associated with Regulation QQ
(FR QQ; OMB No. 7100-0346)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Reporting Requirements Associated with Regulation QQ (FR QQ; OMB No. 7100-0346).¹ Regulation QQ - Resolution Plans (12 CFR Part 243) requires each covered company² to report periodically to the Board and Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) the plan of such company for orderly resolution under the U.S. Bankruptcy Code in the event of the company's material financial distress or failure.

In December 2020, the agencies adopted final guidance for the 2021 and subsequent resolution plan submissions by certain foreign banking organizations (FBOs). The final guidance is meant to assist these firms in developing their resolution plans, which are required to be submitted pursuant to section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Board revised the FR QQ based on the final guidance, which contains certain modifications and clarifications to expectations regarding capital, liquidity, separability, and governance mechanisms from prior guidance.

The current estimated total annual burden for the FR QQ is 215,606 hours, and would decrease to 209,168 hours. The revisions would result in a decrease of 6,438 hours.

Background and Justification

To promote financial stability, section 165(d) of the Dodd-Frank Act requires each covered company with total consolidated assets of \$250 billion or more and each nonbank financial firm designated by FSOC for supervision by the Board to submit periodically a plan for such company's orderly resolution under the Bankruptcy Code in the event of the company's material financial distress or failure, and permits the Board to apply the resolution planning requirement to any BHC with total consolidated assets of \$100 billion (for foreign banking organizations, \$100 billion in total global assets) or more.³ The Board's Regulation QQ (along with the FDIC's companion regulation, 12 CFR Part 381) elaborates on the resolution planning

¹ There is no formal reporting form for this collection of information (the FR QQ designation is for internal purposes only).

² A covered company means (1) any nonbank financial company designated by the Financial Stability Oversight Council (FSOC) for supervision by the Board, (2) any global systemically important BHC, as defined in 12 CFR 252.5, (3) any bank holding company (BHC) with \$250 billion or more in total consolidated assets, (4) any foreign bank or company that is a bank holding company or is treated as a bank holding company under section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)) and that has \$250 billion or more in total consolidated assets, and (5) bank holding company or any foreign bank or company that is a bank holding company or is treated as a bank holding company that is identified as a category II or category III banking organization, pursuant to 12 CFR 252.5. See generally 12 CFR 243.2, 243.13.

³ See 12 U.S.C. § 5365(a).

provisions in section 165(d) by establishing requirements related to the frequency, content, and review of resolution plan submissions.

Implementation of Regulation QQ has been an iterative process aimed at strengthening the resolution planning capabilities of financial institutions subject to Regulation QQ. The agencies have previously provided guidance and other feedback on several occasions to certain FBOs. In general, the guidance and feedback have been intended to assist the recipients in their development of future resolution plan submissions and to provide additional clarity with respect to the agencies' expectations for the filers' future progress.

In March 2020, the agencies invited comment on updates to resolution plan guidance for certain large FBOs,⁴ and on December 9, 2020, the agencies finalized guidance for certain FBOs' 2021 and subsequent resolution plan submissions.⁵ The Final FBO Guidance includes certain modifications and clarifications from the proposal and the previously issued guidance for certain FBOs. In particular, the scope; capital; liquidity; governance mechanisms; payment, clearing, and settlement; and derivatives and trading activities sections of the Final FBO Guidance reflect changes from the Proposed FBO Guidance.

The information collected under FR QQ has been helpful for identifying obstacles to an orderly resolution under the U.S. Bankruptcy Code. The agencies have used this information to direct covered companies to make improvements to their resolution plans and planning processes. The resolution plan submissions have also provided information about covered companies' structure and operations that has been useful to the Board in its supervisory role and to the FDIC in planning for any actions it would take with respect to its authority under the Dodd-Frank Act or the Federal Deposit Insurance Act.

Description of Information Collection

The reporting requirements are found in sections 243.3, 243.4, 243.5, 243.6, 243.7, and 243.8 of Regulation QQ. Compliance with the information collections is mandatory. No other federal law mandates these reporting requirements. In addition, the Final FBO Guidance identifies specific reporting methods that covered companies may follow to satisfy the reporting requirements of Regulation QQ.

Regulatory Requirements

Section 243.3 - Critical operations requires certain covered companies to establish and implement a process designed to identify each of its critical operations. Associated with this non-information collection requirement, section 243.3 permits a covered company that has previously submitted a resolution plan to request a waiver of the requirement to have a process and methodology by submitting a waiver request to the agencies. In addition, section 243.3 allows a covered company to request that the agencies reconsider of identified critical operations that

⁴ 85 FR 15449 (March 18, 2020) (Proposed FBO Guidance).

⁵ Details about these announcements can be found at <https://www.federalreserve.gov/supervisionreg/resolution-plans.htm>. See also 85 FR 83557 (December 22, 2020) (Final FBO Guidance).

were identified jointly by the agencies. If a company ceases to identify an operation as a critical operation, the covered company must notify the agencies of its de-identification.

Section 243.4 - Resolution plan required sets forth which covered companies are biennial, triennial full, and triennial reduced filers and when the covered companies must submit resolution plans, including when a covered company changes a filing group and when the agencies jointly alter a covered company's resolution plan submission date or require a full resolution plan submission.⁶ Section 243.4 also permits the agencies to request interim updates from covered companies and request information to evaluate resolution plan submissions. Finally, section 243.4 requires covered companies to provide notice to the agencies of extraordinary events that have the potential to affect its resolution strategy, requires covered companies to note board approval of resolution plans in board meeting notes, requires covered companies to identify a senior management official at the covered company responsible for serving as a point of contact regarding the resolution plan, requires covered companies that incorporate information by reference to certify the accuracy of the referenced information, and allows a triennial full filer or triennial reduced filer that has previously submitted a resolution plan to request a waiver of one or more of the informational content requirements for a full resolution plan.

Section 243.5 - Informational content of a full resolution plan describes the required informational content of a full resolution plan, which includes an executive summary and information on strategic analysis, corporate governance relating to resolution planning, organizational structure and related information, management information systems, interconnections and interdependencies, and supervisory and regulatory information.

Section 243.6 - Informational content of a targeted resolution plan describes the required informational content of a targeted resolution plan. The targeted resolution plan requirements include the core elements of capital, liquidity, and plans for recapitalization, targeted information the agencies jointly require, a description of material changes, and changes resulting from changes to law, regulation, guidance, or agency feedback.

Section 243.7 - Informational content of a reduced resolution plan describes the required informational content of the reduced resolution plan which include a description of material changes since the previous plan submission and other changes resulting from changes in law, regulation, guidance, or agency feedback.

Section 243.8 - Review of resolution plans; resubmission of deficient resolution plans requires that, if the agencies jointly determine that a resolution plan of a covered company is not credible or would not facilitate an orderly resolution of the covered company under the Bankruptcy Code, a covered company must resubmit a revised plan within 90 days of receiving

⁶ A biennial filer is any global systemically important BHC, any nonbank financial company supervised by the Board that has not been jointly designated a triennial full filer by the agencies, and certain nonbank financial companies supervised by the Board. 12 CFR 243.4(a)(1)-(2). A triennial full filer is any category II or III banking organization and any nonbank financial company supervised by the Board that is jointly designated a triennial full filer. 12 CFR 243.4(b)(1). A triennial reduced filer is any covered company that is not a global systemically important BHC, nonbank financial company supervised by the Board, category II banking organization, or category III banking organization. 12 CFR 243.4(c)(1).

notice that its resolution plan is deemed deficient. A covered company may also submit a written request for an extension of time to resubmit additional information or a revised resolution plan.

Information Collections in the Final FBO Guidance

In addition to the information collections described above, the guidance issued by the agencies, such as the Final FBO Guidance, contains voluntary information collections. The final guidance is organized into seven substantive areas that mirror and explain many of the elements of full and targeted resolution plan submissions. Specifically, the Final FBO Guidance addresses:

- Capital and liquidity: capital and liquidity capabilities necessary to execute a covered company's U.S. resolution strategy, including certain model and estimation processes.
- Governance mechanism: identification of governance mechanisms that would ensure that communication and coordination occurs between the boards of the covered company's U.S. intermediate holding company or a U.S. subsidiary thereof and the foreign parent to facilitate the provision of financial support, or if not forthcoming, any preparatory resolution-related actions to facilitate an orderly resolution.
- Operational: maintaining continuity of payment, clearing, and settlement (PCS) services; capabilities to manage, identify, and value the collateral that the U.S. non-branch material entities receive from and post to external parties and affiliate; and plans and arrangements to support the continuity of shared and outsourced services.
- Branches: how a branch would continue to facilitate financial market utility access for identified critical operations and meet funding needs and analysis of the impact of the cessation of operations of any U.S. branch that is significant to the activities of an identified critical operation on the firm's financial market utility access and identified critical operations.
- Legal entity rationalization: development and implementation of legal entity rationalization criteria that support the covered company's U.S. resolution strategy and minimize risk to U.S. financial stability in the event of resolution.
- Derivatives and trading activities: booking practices commensurate with the size, scope, and complexity of a covered company's U.S. derivatives and trading activities.

The Final FBO Guidance also contains expectations related to the format and structure of resolution plans, content of public sections of resolution plans, and frequently asked questions.

Respondent Panel

The FR QQ panel comprises BHCs (including any foreign bank or company that is, or is treated as, a bank holding company under section 8(a) of the International Banking Act of 1978, and meets the relevant total consolidated assets threshold) with total consolidated assets of \$250 billion or more, global systemically important BHCs, BHCs otherwise subject to Category II or III standards, and nonbank financial firms designated by the FSOC for supervision by the Board.

Revisions to the FR QQ

On March 18, 2020, the agencies published the Proposed FBO Guidance, which would have applied beginning with the subject covered companies' 2021 resolution plan submissions.

The Proposed FBO Guidance began with a description of the proposed scoping methodology and was then organized into eight substantive areas, consistent with the guidance provided to FBOs in 2017.⁷ These areas were: capital, liquidity, governance mechanisms, operational, branches, group resolution plan, legal entity rationalization and separability, and derivatives and trading activities. The Proposed FBO Guidance had stated that the proposed changes to the 2018 FBO Guidance would not revise the reporting provisions that have been previously cleared by the OMB under the Board's control number 7100-0346 and the FDIC's control number 3064-0210. The agencies did not receive any comments on the PRA determination in the proposed guidance.

On December 22, 2020, the agencies published the Final FBO Guidance in the *Federal Register*. The Final FBO Guidance includes certain modifications and clarifications to the proposed guidance that affect the reporting provisions covered by the FR QQ information collection. In particular, the scope, capital, liquidity, governance mechanisms, PCS activities, and derivatives and trading activities sections of the Final FBO Guidance reflect changes from the proposal. Other sections or sub-sections, such as group resolution plan, management information systems, qualified financial contracts, separability, and mapping of branch activities, were determined not to be necessary as they are duplicative of existing regulatory requirements or not reflective of the FBOs' within the scope of the guidance current business models and accordingly have been eliminated from the guidance. The intent of these changes is to clarify expectations, more closely align expectations with the current business and risk profiles of the Specified FBOs' U.S. operations, and recognize that the preferred resolution strategy for the Specified FBOs is a successful home country resolution. The Final FBO Guidance also eliminates expectations for information that, in the agencies' experience, may be obtained through other existing and effective mechanisms.

Time Schedule for Information Collection

After filing its initial resolution plan under the regulation, each biennial filer must submit a resolution plan to the agencies every two years, alternating between full and targeted plans; each triennial full filer must submit a resolution plan to the Board and the FDIC every three years, alternating between full and targeted plans; and each triennial reduced filer shall submit a reduced resolution plan to the Board and the FDIC every three years. A company that becomes a covered company after the effective date of the regulation, e.g., a company the FSOC has designated for supervision by the Board or a BHC that grows, organically or by merger or acquisition, over the \$250 billion threshold or becomes subject to Category I, II, or III standards, must submit its resolution plan by the date specified by the agencies, provided such date is at least 12 months after the date the company becomes a covered company. Regulation QQ also includes information regarding initial resolution plans after the effective date of the 2019 revisions to Regulation QQ.

Information collections resulting from critical operations waiver requests (12 CFR 243.3(a)(2)), requests for reconsideration of jointly identified critical operations (12 CFR

⁷ Guidance for 2018 §165(d) Annual Resolution Plan Submissions By Foreign-based Covered Companies that Submitted Resolution Plans in July 2015 (2018 FBO Guidance), available at <http://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170324a21.pdf> and <http://www.fdic.gov/resauthority/2018subguidance.pdf>.

243.3(c)), notices of de-identification of an operation as a critical operation (12 CFR 243.3(d)(1)), interim update requests by the agencies (12 CFR 243.4(d)(3)), full resolution plans submitted at the request of the agencies (12 CFR 243.4(d)(5)), notices of extraordinary events (12 CFR 243.4(d)(4)), waiver requests by covered companies (12 CFR 243.4(d)(6)), additional information requested by the agencies (12 CFR 243.4(e)), identification of a covered company's point of contact (12 CFR 243.4(i)), certifications related to information incorporated by reference (12 CFR 243.4(j)(2)), resubmission of a resolution plan (12 CFR 243.8(c)), and requests for extensions to resubmit resolution plans (12 CFR 243.8(d)) are event-generated.

Public Availability of Data

The agencies do not routinely publicly release information collected through the FR QQ. The public portions of resolution plan submissions are posted to the agencies' websites, but the confidential portions of resolution plan submissions are not publicly released. Waiver requests by covered companies are divided into public and confidential sections, and the public section may be made publicly available.

Legal Status

Section 165(d)(8) of the Dodd-Frank Act specifically authorizes the Board and FDIC to "jointly issue final rules implementing" the resolution plan requirements for their supervised institutions (12 U.S.C. § 5365(d)(8)). Section 165(d)(1) provides that the Board "shall require each ... [covered company] to report periodically to the Board ... [the FSOC, and the FDIC] the plan of such company for rapid and orderly resolution in the event of material financial distress or failure ..." (12 U.S.C. § 5365(d)(1)). The obligation to respond is mandatory.

Under section 243.11(d) of Regulation QQ, a portion of the resolution plan is designated as confidential. Regarding the confidential section of resolution plans, as noted in the Preamble to the 2011 Rule (76 FR 67332), section 112(d)(5)(A) of the Dodd-Frank Act (12 U.S.C. § 5322(d)(5)(A)), requires the Board to "maintain the confidentiality of any data, information, and reports submitted under" Title I of Dodd-Frank, which includes section 165(d). Section 243.8(d) of Regulation QQ specifically provides that "the confidentiality of resolution plans and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)) and the Board's Rules Regarding Availability of Information [the Board's Rules] (12 CFR Part 261) Any covered company submitting a resolution plan ... that desires confidential treatment under [FOIA and the Board's Rules] ... may file a request for confidential treatment in accordance with those rules" (12 CFR 243.8(d)(1), (d)(2)). "To the extent permitted by law, information comprising the Confidential Section of a resolution plan will be treated as confidential" (12 CFR 243.8(d)(3)).

The Board and the FDIC have noted that the agencies "certainly expect that large portions of the [resolution plan] submissions will contain or consist of 'trade secrets and commercial or financial information obtained from a person and privileged or confidential' and information that is 'contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.'" This information is subject to withholding under

exemptions 4 and 8 of the FOIA (5 U.S.C. §§ 552(b)(4) and (b)(8))” (76 FR 67332). As required information, the confidential commercial and financial information submitted in resolution plans by covered companies may be withheld under exemption 4.

Consultation Outside of the Agency

The Board worked with the FDIC to determine the effect of the Final FBO Guidance on each agency’s PRA clearance.

Public Comments

On March 18, 2020, the agencies published the Proposed FBO Guidance in the *Federal Register* (85 FR 15449) requesting public comment. The comment period for this notice expired on May 5, 2020. The agencies did not receive any specific comments related to the Paperwork Reduction Act (PRA) analysis. On December 22, 2020, the agencies published the Final FBO Guidance in the *Federal Register* (85 FR 83557).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR QQ is 215,606 hours, and would decrease to 209,168 hours with the revisions. As a result of the changes to the Final FBO Guidance, there is a reduction to the existing estimated burden for a triennial full complex filer from 13,135 hours to 9,916 hours per year. This reduction is driven mainly by significant reductions in the burdens related to capital, liquidity, separability, and governance mechanisms. The FDIC splits the burden related to the submission of resolution plans with the Board, and its information collection is housed under the OMB number 3064-0210. Generally, in order to facilitate the split in burden, each agency accounted for half of the number of respondents for each element of the collection. For those elements with an odd number of respondents, the Board took the greater portion of the split. These reporting requirements represent approximately 2.7 percent of the Board’s total paperwork burden.

FR QQ	<i>Estimated number of respondents⁸</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Triennial Reduced	27	1	20	540
Triennial Full:				
Complex Foreign	2	1	13,135	26,270
Foreign and Domestic	5	1	5,667	28,335
Biennial Filers Domestic	4	1	40,115	160,460
Waivers	1	1	1	<u>1</u>
	<i>Current Total</i>			215,606
Proposed				
Triennial Reduced	27	1	20	540
Triennial Full:				
Complex Foreign	2	1	9,916	19,832
Foreign and Domestic	5	1	5,667	28,335
Biennial Filers Domestic	4	1	40,115	160,460
Waivers	1	1	1	<u>1</u>
	<i>Proposed Total</i>			209,168
	<i>Change</i>			(6,438)

The current estimated total annual cost to the public for the FR QQ is \$12,753,095, and would decrease to \$12,372,287 with the revisions.⁹

Sensitive Questions

This information collection contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR QQ is \$6,000,000.

⁸ 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>.

⁹ 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 \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020*, published March 31, 2021, <http://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <http://www.bls.gov/soc/>.