Office of the Comptroller of the Currency
Supporting Statement
Libor Self-Assessment
OMB Control No. 1557-NEW

A. Justification.

1. Circumstances that make the collection necessary:

The OCC obtained prior emergency approval for use of the Libor Self-Assessment tool on January 14, 2021. We are now requesting authorization to add additional questions to the tool. The purpose of the new questions is to further emphasize that the alternative rates selected by the supervised institutions should be robust and appropriate for their risk.

Background

The expected cessation of the London InterBank Offered Rate (Libor) by the end of 2021 prompted the OCC to create a self-assessment tool that banks may use in preparing for the expected Libor cessation. The self-assessment tool may be used when a bank is assessing the appropriateness of its Libor transition plan, execution of the plan by its management, and related matters.

The Intercontinental Exchange Libor is a reference rate that is intended to reflect the cost of unsecured interbank borrowing. Libor is published daily in five currencies with seven maturities ranging from overnight to 12 months. It is used globally in the over-the-counter derivatives market, bonds, loan products, and securitizations. As of the end of 2016, $199 trillion of financial instruments were exposed to U.S. dollar (USD) Libor as the primary reference rate.

While reference rates have ceased to be reported in the past, the significant exposure to Libor creates the need to assess whether a bank is identifying applicable risks, preparing for the cessation, and successfully transitioning to replacement rates. Libor is referenced globally, and its cessation could affect banks of all sizes through direct or indirect exposure.

There is risk of market disruptions, litigation, and destabilized balance sheets if acceptable replacement rate(s) do not attract sufficient market-wide acceptance or if contracts cannot seamlessly transition to new rate(s). A bank's risk exposure from expected Libor cessation depends on the bank's specific circumstances. Many community banks may not offer products or services that use Libor. Community banks could, however, have Libor exposure in positions such as as Federal Home Loan Banks (FHLB) borrowings, mortgage-backed securities, or bonds in the banks' investment portfolios.

Libor exposure can exist on or off the balance sheet, including assets, liabilities, and asset management activities. Risk can also emanate from third-party relationships because Libor is often used in pricing models, financial models, and other parts of banks' infrastructure, such as core processing.

The ubiquity of LIBOR, present in over $200T notional contracts, makes moving off the rate incredibly complicated. Many existing contracts do not include sufficient provisions in the event

that Libor becomes unavailable (known as fallback provisions). Without preparation, Libor cessation could cause market disruption and present risks to banks and their customers. In addition, the fallback language does not sufficiently account for a permanent cessation of LIBOR. The banking agencies published a statement dictating that banks should discontinue making LIBOR exposure by the end of 2021 but as soon as practicable (with a few exceptions for orderly market support).

Current Request

Given that we expect banks to discontinue making LIBOR loans by this year end, the prevalence of LIBOR, and the remaining work to be done within the timeframe described above, the OCC has previously requested emergency clearance for this self-assessment tool to be made available to banks due to the immediate need and the brief duration of use and to help banks prepare for Libor-related risk. The OCC obtained approval on January 14, 2021. This request is for adding additional questions to the tool. The purpose of the new questions is to further emphasize that the alternative rates selected by the supervised institutions should be robust and appropriate for their risk.

2. Use of the information:

Banks may use this self-assessment to determine whether it has risk management processes in place to identify and mitigate the banks' Libor transition risks. Not all sections or questions apply to all banks. Applicable risks (*e.g.*, operational, compliance, strategic, and reputation) can be identified when scoping and completing Libor cessation preparedness assessments.

The added questions for the "Replacement Rates" section of the self-assessment tool are as follows:

1. Are the identified replacement rates sufficiently robust? Consider in your assessment:
a. During a stress period, will the rates reflect competitive forces of supply and demand from a sufficient number of arms-length transactions?
b. Can market participants independently confirm the rates published by the benchmark administrator?
c. Is the market for financial instruments that use the rate deep and liquid enough to allow the bank to easily manage the market risk of assets and liabilities that use the rate?
d. Does the underlying data span at least one full economic cycle?

3. Consideration of the use of improved information technology:

Not applicable.

4. Efforts to identify duplication:

There is no duplication.

5. If the collection of information impacts small businesses or other small entities, describe

any methods used to minimize burden.

Not applicable.

6. Consequences to the federal program if the collection were conducted less frequently:

Not applicable. The collection will not be used after December 31, 2021.

7. Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 12 CFR part 1320:

Not applicable.

8. Efforts to consult with persons outside the agency:

Not applicable.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

The information will be kept private to the extent permitted by law.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

Estimated Number of Respondents: 1,096.

Estimated Burden per Respondent: 8 hours.

Total Burden: 8,768 hours.

8,768 x $114.17 = $ 1,001,042.56

To estimate wages, the OCC reviewed May 2020 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses $114.17 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (2 percent as of Q1 2021), plus an additional 33.4 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2020 for NAICS 522: credit intermediation and related activities).

13. Estimate of total annual cost to respondents (excluding cost of hour burden in Item #12):

Not applicable.

14. Estimates of annualized costs to the federal government:

Not applicable.

15. Change in burden:

None. The burden from the additional questions is *de minimis.*

16. Information regarding collections whose results are to be published for statistical use:

Not applicable.

17. Reasons for not displaying OMB expiration date:

Not applicable.

18. Exceptions to the certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.