

SUPPORTING STATEMENT
LARGE-BANK DEPOSIT INSURANCE PROGRAMS
OMB No. 3064-0162

INTRODUCTION

The Federal Deposit Insurance Corporation requests OMB approval to extend, for three years, with revisions, the above-captioned collection of information. The clearance for the collection expires on September 30, 2021.

Upon the failure of an FDIC-insured depository institution, the FDIC is required to pay insured deposits as soon as possible¹. To do so, the FDIC must be able to quickly determine the total insured amount for each depositor. To make this determination, the FDIC must ascertain the balances of all deposit accounts owned by the same depositor in the same ownership capacity at a failed institution as of the day of failure. The FDIC established a final rule (12 CFR 360.9) to modernize the process of determining the insurance status of each depositor in the event of such a failure.

The final rule requires the largest insured depository institutions to adopt mechanisms that would, in the event of the institution's failure (1) provide the FDIC with standard deposit account and other customer information, and (2) allow the placement and release of holds on liability accounts, including deposits. The final rule applies only to insured depository institutions having at least \$2 billion in domestic deposits and either: more than 250,000 deposit accounts; or total assets over \$20 billion, regardless of the number of deposit accounts.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Section 360.9 requires the largest insured depository institutions to adopt mechanisms that, in the event of the institution's failure: (1) provide the FDIC with standard deposit account and customer information; and (2) allow the FDIC to place and release holds on liability accounts, including deposits. Section 360.9 applies only to insured depository institutions having at least \$2 billion in domestic deposits and either: (1) more than 250,000 deposit accounts; or (2) total assets over \$20 billion, regardless of the number of deposit accounts (referred to hereinafter as "Covered Institutions").

When handling a depository institution failure the FDIC is required to structure the least costly of all possible resolution transactions, except in the event of systemic risk. In addition, the FDIC is required to pay insured deposits "as soon as possible" after an institution fails. The FDIC places a high priority on providing access to insured deposits promptly and, in the past, has usually been

¹ The FDIC can meet its obligation to pay insured deposits either by payment in cash or by making available to each depositor a transferred deposit in a another insured depository institution. 12 U.S.C §1821(f)(1).

able to allow most depositors access to their deposits on the business day following closing. Doing so enables the FDIC to: (1) maintain public confidence in the banking industry and the FDIC; (2) provide the best possible service to insured depositors by minimizing uncertainty about their status and avoiding costly disruptions that may limit their ability to meet financial obligations; (3) mitigate the spillover effects of a failure, such as risks to the payments system, problems stemming from depositor illiquidity and a substantial reduction in credit availability; and (4) retain, where feasible, the franchise value of the failed institution.

The largest insured depository institutions are growing increasingly complex. Section 360.9 is intended to allow the deposit operations of a failed institution to be continued on the day following failure. It helps facilitate an insurance determination and dramatically improve upon access to depositor funds when one of these institutions fails. It also permits the FDIC to meet its legal mandates regarding the resolution of failed insured institutions, provide liquidity to depositors promptly, enhance market discipline, ensure equitable treatment of depositors at different institutions and reduce the FDIC's costs by preserving the franchise value of a failed institution.

Making deposit insurance determinations is inherently complex because a single depositor may have more than one account and may hold accounts in different ownership capacities, each of which may be separately insured. To make insurance determinations, the FDIC must aggregate all accounts owned by a depositor in a single ownership capacity. This process often requires reviewing detailed account agreements and other documents. The larger the number of deposit accounts at an institution, the more complex and difficult the insurance determination becomes. Complexity also depends upon the volume of transactions, the amount of uninsured funds, the number of separate computer systems or "platforms" on which deposit accounts are maintained and the speed at which the institution's deposit operations must be resumed following failure. In most instances, larger institutions are considerably more complex, have more deposit accounts, are more geographically dispersed and have more diverse systems and data-integration issues than small institutions.

Under the final rule, on a case-by-case basis and in consultation with the Covered Institution's primary federal regulator, the FDIC can accelerate the implementation timeframe for Covered Institutions that are "troubled". That is, a Covered Institution that either: (1) has a composite rating of 3, 4 or 5 under the Uniform Financial Institutions Rating System (commonly referred to as CAMELS) or (2) is undercapitalized as defined for purposes of the prompt corrective action rules. In determining the accelerated implementation timeframe for such institutions, the FDIC would be required to consider such factors as the: (1) complexity of the institution's deposit systems and operations; (2) extent of asset quality difficulties; (3) volatility of funding sources; (4) expected near-term changes in capital levels; and (5) other relevant factors appropriate for the FDIC

to consider in its roles as insurer and possible receiver of the institution.

2. Use of information collected:

Provisional holds: Under the final rule, Covered Institutions are required to have in place an automated process for implementing provisional holds concurrent with or immediately following the daily deposit account processing on the day of failure. After completion of the failed institution's final daily processing, the Successor Institution places provisional holds on selected deposit accounts. Provisional holds, once posted, allow depositors access to the remaining balance in their accounts the day following failure, yet guard against the possibility of an uninsured depositor or unsecured general creditor receiving more than allowed under deposit insurance rules or the depositor preference statute. The FDIC uses a standard set of depositor and customer data to make deposit insurance determinations. These determinations are provided to the Successor Institution shortly after failure.

The generation of deposit account and customer data in a standard structure: A Covered Institution is required to have in place practices and procedures to provide the FDIC with required depositor and customer data in a standard format following the close of any day's business. Covered Institutions are not required to collect or generate new depositor or customer information. Instead, the standard data files are created through a mapping of pre-existing data elements and internal institution codes into standard data formats. The standard data files would be used in the period immediately before and after a Covered Institution's failure to calculate the amount of deposit insurance coverage and to identify the least costly of all possible resolution transactions. The FDIC conduct infrequently at institutions that do not make major changes to their deposit systems—perhaps only once every three-to-five years

3. Consideration of the use of improved information technology:

Insured depository institutions provide deposit account information via electronic file.

4. Efforts to identify duplication:

The information sought in this collection is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

The final rule applies to the largest banks only. It does not impose any burden on small entities.

6. Consequences to the Federal program if the collection were conducted less

frequently:

Section 360.9 requires the largest insured depository institutions to adopt mechanisms that would, in the event of the institution's failure, provide the FDIC with standard deposit account and customer information and allow the FDIC to place and release holds on liability accounts, including deposits. Thus, Covered Institutions are required to have the mechanisms in place and are subject to periodic testing, but the collection would be accessed only when a large bank is close to failing.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

None. The information is collected in a manner consistent with 5 CFR Part 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

A 60-day notice seeking public comment on the FDIC's renewal of the information collection was published on July 8, 2021 (86 FR 36137). No comments were received.

9. Payment or gift to respondents:

No payments or gifts will be given to respondents.

10. Any assurance of confidentiality:

No individual bank or customer information will be made available outside the FDIC. In addition, to protect financial privacy, the FDIC's testing process would not require that Covered Institutions transmit *any* sensitive customer data outside of the institution's premises. Therefore, all testing involving any sensitive customer data would be conducted on the institution's premises.

11. Justification for questions of a sensitive nature:

None.

12. Estimate of Annual Burden

Summary of Annual Burden and Internal Cost							
	Type of Burden	Obligation to Respond	Estimated Number of	Estimated Frequency of	Estimated Time per	Frequency of Response	Total Annual

			Respondents	Responses	Response		Estimated Burden
Implementation							
Posting and removing provisional holds - 360.9(c)(1) and (2)	Recordkeeping	Mandatory	7	1	150	One time	1,050
Providing standard data format for deposit account and customer information - 360.9(d)(1)	Recordkeeping	Mandatory	7	1	110	One time	770
Notification of identity of person responsible for producing standard data downloads - 360.9(c)(3)	Reporting	Mandatory	7	1	8	One time	56
Request for exemption from provisional hold requirements - 360.9(c)(9)	Reporting	Voluntary	1	1	20	On occasion	20
Provide deposit account and customer information in required standard format - 360.9(d)(3)	Reporting	Mandatory	7	1	40	On occasion	280
Request for extension of compliance deadline - 360.9(e)(7)	Reporting	Voluntary	1	1	20	On occasion	20
Request for exemption - 360.9(f)	Reporting	Voluntary	1	1	20	On occasion	20
Total Implementation Burden							2,216
Ongoing							
Notification of identity of person responsible for producing standard data downloads - 360.9(c)(3)	Reporting	Mandatory	126	1	8	One time	1,008
Request for exemption from provisional hold requirements - 360.9(c)(9)	Reporting	Voluntary	1	1	20	On occasion	20
Request for exemption - 360.9(f)	Reporting	Voluntary	1	1	20	On occasion	20
Test compliance with 360.9 (c) - (d) pursuant to 360.9(h)	Reporting	Mandatory	40	1	80	On occasion	3,200
Total Ongoing Burden							4,248
Total Estimated Annual Burden							6,464

The ongoing burden component under 12 CFR Section 360.9(f) was inadvertently omitted from the 2018 submission and is now included in this renewal.

Total Labor Cost of Estimated Annual Burden

To estimate the labor cost of the estimated annual hourly burden, FDIC multiplied the estimated annual hourly burdens detailed in the burden table above by the corresponding weighted average wage rate presented in Table 2. The estimated annual cost burdens are presented in Table 3 below:

Table 2: Summary of Hourly Burden Cost Estimates (OMB No. 3064-0162)						
Category of Personnel Responsible for Complying with the PRA Burden	Executives and Managers²	Lawyers³	Compliance Officers⁴	IT Specialists⁵	Financial Analysts⁶	Weighted Average
Total Estimated Hourly Compensation	\$123.30	\$151.44	\$67.35	\$92.30	\$79.40	
Posting and removing provisional holds - 360.9(c)(1) and (2)	5%	5%	25%	60%	5%	\$89.93
Providing standard data format for deposit account and customer information - 360.9(d)(1)	5%	5%	25%	60%	5%	\$89.93
Notification of identity of person responsible for producing standard data downloads - 360.9(c)(3)	5%	5%	60%	25%	5%	\$81.19
Request for exemption from provisional hold requirements - 360.9(c)(9)	5%	30%	40%	20%	5%	\$100.97
Provide deposit account and customer information in required standard format - 360.9(d)(3)	5%	5%	25%	60%	5%	\$89.93
Request for extension of compliance deadline - 360.9(e)(7)	5%	30%	40%	20%	5%	\$100.97
Request for exemption - 360.9(f)	5%	30%	40%	20%	5%	\$100.97
Test compliance with 360.9 (c) - (d) pursuant to 360.9(h)	5%	5%	40%	45%	5%	\$86.18

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)" (May 2019), Employer Cost of Employee Compensation (December 2020), Consumer Price Index (December 2020).

Note: The 75th percentile wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the December 2020 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 34 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 1.71 percent between May 2019 and December 2020.

Table 3: Summary of Estimated Annual Burden (OMB No. 3064-0162)

2 Occupation (SOC Code): Management Occupations (110000)

3 Occupation (SOC Code): Legal Occupations (230000)

4 Occupation (SOC Code): Compliance Officers (131040)

5 Occupation (SOC Code): Computer and Mathematical Occupations (150000)

6 Occupation (SOC Code): Financial and Investment Analysts, Financial Risk Specialists, and Financial Specialists, All Other (132098)

	Total Annual Estimated Burden Hours	Weighted Average Hourly Cost	Annual Burden
Implementation			
Posting and removing provisional holds - 360.9(c)(1) and (2)	1,050	\$89.92	\$94,416.00
Providing standard data format for deposit account and customer information - 360.9(d)(1)	770	\$89.92	\$69,238.40
Notification of identity of person responsible for producing standard data downloads - 360.9(c)(3)	56	\$81.19	\$4,546.64
Request for exemption from provisional hold requirements - 360.9(c)(9)	20	\$100.97	\$2,019.40
Provide deposit account and customer information in required standard format - 360.9(d)(3)	280	\$89.92	\$25,177.60
Request for extension of compliance deadline - 360.9(e)(7)	20	\$100.97	\$2,019.40
Request for exemption - 360.9(f)	20	\$100.97	\$2,019.40
Estimated Annual Labor Cost, Implementation			\$199,436.84
Ongoing			
Notification of identity of person responsible for producing standard data downloads - 360.9(c)(3)	1,008	\$81.19	\$81,839.52
Request for exemption from provisional hold requirements - 360.9(c)(9)	20	\$100.97	\$2,019.40
Request for exemption - 360.9(f)	20	\$100.97	\$2,019.40
Test compliance with 360.9 (c) - (d) pursuant to 360.9(h)	3,200	\$86.18	\$275,776.00
Estimated Annual Labor Cost, Ongoing			\$361,654.32
Total Estimated Annual Labor Cost			\$561,091.16

As shown in Table 3, the estimated annual cost burden associated with this information collection is **\$561,091.16**.

13. Estimate of start-up cost to respondents:

On-going costs for testing, maintenance and other periodic items is estimated to range between \$6,000 and \$13,000 for those Covered Institutions using software or servicing provided by a vendor. For super-regional organizations on-going costs are estimated to be between \$150,000 and \$250,000. The largest, most complex Covered Institution was estimated to have on-going costs as high as \$500,000 per year. Overall, on-going industry cost estimates ranged from \$4 million to \$6.5 million. Placed in context, this is 0.8 to 1.4 percent of a one basis point assessment against the deposits of Covered Institutions. This analysis assumes an hourly cost of \$160 for Covered Institutions.

14. Estimates of annualized cost to the federal government:

None.

15. Analysis of change in burden:

There is no change in the methodology or substance of this information collection. The decrease in total estimated annual burden from 10,268 hours in 2018 to 6,064 hours currently, is due to economic factors reflected in a decrease in the number of estimated annual respondents. The inclusion of ongoing burden for requests for exemption pursuant to 12 CFR 360.9(f) accounts for an increase of 20 hours in total estimated annual burden for one respondent.

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

No publication will be made of this information.

17. Exceptions to expiration date display

Not applicable.

18. Exceptions to certification:

There are no exceptions to certification.