

**Supporting Statement for the
Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation LL
(FR LL; OMB No. 7100-0380)**

*Capital Planning and Stress Testing Requirements for Large Bank Holding Companies,
Intermediate Holding Companies and Savings and Loan Holding Companies
(Docket No. R-1724; RIN 7100-AF95)*

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, Recordkeeping, and Disclosure Requirements Associated with Regulation LL (FR LL; OMB No. 7100-0380). In November 2019, the Board amended its Regulation LL - Savings and Loan Holding Companies (12 CFR Part 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 an 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.

On February 3, 2021,⁴ the Board adopted a final rule to tailor the requirements in the Board's capital plan rule (capital plan rule) based on risk. As part of the final rule, the Board added new reporting and recordkeeping requirements to the FR LL.

The current estimated total annual burden for the FR LL is 145 hours, and would increase to 10,484 hours. The revisions would result in an increase of 10,339 hours. There is no formal reporting form for this information collection.

Background and Justification

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)⁵ 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.

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 See 86 FR 7927 (February 3, 2021).

⁵ 12 U.S.C. § 5365.

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 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),⁶ 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 Part 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) 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 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 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.

⁶ 12 U.S.C. § 1467a(g).

Respondent Panel

The FR LL panel comprises foreign SLHCs with average total consolidated assets of greater than \$250 billion, Category II SLHCs, Category III SLHCs, and domestic covered SLHCs with average total consolidated assets of greater than \$250 billion.

Revisions to the FR LL

The final rule includes amendments to section 238.146 of Regulation LL meant to ensure that certain SLHCs are required to publicly disclose their stress tests results. Under the final rule, a covered SLHC that is subject to a supervisory stress test under section 238.132 of Regulation LL is required to publicly disclose a summary of the results of the stress test required under section 238.143 of Regulation LL 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, unless that time is extended by the Board in writing, while a covered SLHC that is not subject to a supervisory stress test under section 238.132 of Regulation LL is required to publicly disclose a summary of the results of the stress test required under section 238.143 of Regulation LL in the period beginning on June 15 and ending on June 30 in the year in which the stress test is conducted, unless that time is extended by the Board in writing.

Additionally, the final rule applies capital planning and stress capital buffer requirements to covered SLHCs subject to Category II, III, or IV standards. These SLHCs will be required to submit capital plans to the Board on an annual basis, and to request prior approval from the Board under certain circumstances before making a capital distribution.

The Board also has revised Regulation LL to permit a SLHC subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. To ensure the Board is provided sufficient notice that the firm is participating in the supervisory stress test, the firm would need to make its election by January 15 of the year in which it seeks to opt in to the supervisory stress test by providing written notice to the Board and appropriate Federal Reserve Bank.

As part of the final rule, the Board added new reporting and recordkeeping requirements to the FR LL. The new reporting requirements are found in sections 238.132(c)(2)(ii), 238.170(e)(1)(ii), 238.170(e)(3), 238.170(e)(4), 238.170(h)(2)(ii)(B), 238.170(i), 238.170(j)(1) and (2), and 238.170(j)(4). The new recordkeeping requirements are found in sections 238.170(e)(1)(i) and 238.170(e)(1)(iii).

Reporting Requirements

Section 238.132(c)(2)(ii) permits that a Category IV SLHC may elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board and the appropriate Federal Reserve Bank by January 15 of that year.

Section 238.170(e)(1)(ii) requires a covered SLHC to submit its complete capital plan to

the Board and the appropriate Reserve Bank by April 5 of each calendar year, or such later date as directed by the Board or by the appropriate Reserve Bank with concurrence of the Board.

Section 238.170(e)(3) requires that in connection with submissions of capital plans to the Board, covered SLHCs are required to provide certain data to the Board, including:

- The covered SLHC's financial condition, including its capital,
- The covered SLHC's structure,
- Amount and risk characteristics of the covered SLHC's on- and off-balance sheet exposures, including exposures within the covered SLHC's trading account, other trading-related exposures (such as counterparty-credit risk exposures) or other items sensitive to changes in market factors, including, as appropriate, information about the sensitivity of positions to changes in market rates and prices,
- The covered SLHC's relevant policies and procedures, including risk management policies and procedures,
- The covered SLHC's liquidity profile and management,
- The loss, revenue, and expense estimation models used by the covered SLHC for stress scenario analysis, including supporting documentation regarding each model's development and validation, and
- Any other relevant qualitative or quantitative information requested by the Board or the appropriate Reserve Bank to facilitate review of the covered SLHC's capital plan.

Section 238.170(e)(4) requires the covered SLHC to update and resubmit its capital plan to the appropriate Reserve Bank within 30 calendar days of the occurrence of certain events.

Section 238.170(h)(2)(ii)(B) requires that within two business days of receipt of notice of a stress capital buffer requirement, a covered SLHC must notify the Board of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the internal baseline scenario.

Section 238.170(i) requires that within 15 calendar days of receipt of a notice of objection to a capital plan by the Board or appropriate Reserve Bank, the covered SLHC may submit a written request to the Board requesting reconsideration of the objection, including an explanation of why reconsideration should be granted. As an alternative to a request for reconsideration, the covered SLHC may submit a request for an informal hearing.

Under section 238.170(j)(1), in certain circumstances, covered SLHCs will be required to obtain prior approval from the Board before making capital distributions. A covered SLHC may submit a request for non-objection that includes all the information from 238.170(j)(2). Section 238.170(j)(2) states that prior approval requests contain the following information:

- The covered SLHC's capital plan or a discussion of changes to the covered SLHC's capital plan since it was last submitted to the Federal Reserve,
- The purpose of the transaction,
- A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s), and
- Any additional information requested by the Board or appropriate Reserve Bank (which

may include, among other things, an assessment of the covered SLHC's capital adequacy under a severely adverse scenario, a revised capital plan, and supporting data).

Section 238.170(j)(4) provides that if the Board or appropriate Reserve Bank disapproves of a covered SLHC's capital distribution, the covered SLHC within 15 calendar days of receipt of a notice of disapproval by the Board may submit a written request for a hearing.

Recordkeeping Requirements

Section 238.170(e)(1)(i) requires a covered SLHC to develop and maintain a capital plan. The level of detail and analysis expected in a capital plan will vary based on the covered SLHC's size, complexity, risk profile, scope of operations, and the effectiveness of its processes for assessing capital adequacy. The capital plan must contain at least the following elements:

- An assessment of the expected uses and sources of capital over the planning horizon that reflects the covered SLHC's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions,
- A detailed description of the covered SLHC's process for assessing capital adequacy,
- The covered SLHC's capital policy, and
- A discussion of any expected changes to the covered SLHC's business plan that are likely to have a material impact on the covered SLHC's capital adequacy or liquidity.

The mandatory elements under each component are described in section 238.170(e)(2).

Section 238.170(e)(1)(iii) requires the covered SLHC's board of directors or a designated committee must at least annually review and approve the covered SLHC's capital plan prior to its submission to the appropriate Reserve Bank.

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 October 7, 2020, the Board published a notice of proposed rulemaking in the *Federal Register* (85 FR 63222) for public comment on the extension, with revision, of the FR LL. The comment period for this notice expired on November 20, 2020. The Board did not receive any specific comments related to the Paperwork Reduction Act analysis. On February 3, 2021, the Board published a final rule in the *Federal Register* (86 FR 7927). The final rule is effective on April 5, 2021.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR LL is 145 hours, and would increase to 10,484 hours as a result of the revisions. Currently, there are no foreign SLHCs in existence, and only one domestic covered SLHC. The table shows an estimate of one respondent. These reporting, recordkeeping, and disclosure requirements represent less than 1 percent of the Board's total paperwork burden.

FR LL	<i>Estimated number of respondents⁷</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
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	30
<i>Current Total</i>				145
Proposed				
Reporting				
Section 238.132(c)(2)(ii)	1	1	0.25	0
Section 238.162(b)(1)(ii)	1	0.5	80	40
Section 238.170(e)(1)(ii)	1	1	80	80
Section 238.170(e)(3)	1	1	1,005	1,005
Section 238.170(e)(4)	1	1	100	100
Section 238.170(h)(2)(ii)(B)	1	1	2	2
Section 238.170(i)	1	1	16	16
Section 238.170(j)(1) and (2)	1	1	100	100
Section 238.170(j)(4)	1	1	16	16
Recordkeeping				
Section 238.170(e)(1)(i)	1	1	8,920	8,920
Section 238.170(e)(1)(iii)	1	1	100	100
Disclosure				
Section 238.146 (Initial setup)	1	0.5	150	75
Section 238.146	1	0.5	60	30
<i>Proposed Total</i>				10,484
<i>Change</i>				10,339

The estimated total annual cost to the public for the FR LL is \$8,577, and would increase to \$620,129 with the revisions.⁸

Sensitive Questions

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

⁷ 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>.

⁸ 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, <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 cost to the Federal Reserve System is negligible.