

Office of the Comptroller of the Currency
Supporting Statement
Libor Self-Assessment
OMB Control No. 1557-0349

A. *Justification.*

1. *Circumstances that make the collection necessary:*

The OCC obtained emergency approval for use of the Libor Self-Assessment tool and subsequently obtained emergency approval to add additional questions to the tool to further emphasize that the alternative rates selected by the supervised institutions should be robust and appropriate for their risk. The OCC is now seeking renewal of the emergency approvals.

Background

The cessation of the London InterBank Offered Rate (Libor) prompted the OCC to create a self-assessment tool for banks to use in preparing for the Libor cessation. The self-assessment tool was created to assess the appropriateness of a bank's Libor transition plan, the 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 2020, \$223 trillion of financial instruments were exposed to U.S. dollar (USD) Libor as the primary reference rate.¹

While certain reference rates have ceased to be reported in the past, the significant exposure of the financial markets to Libor creates the need for banks to assess whether they are identifying applicable risks, preparing for Libor cessation, and successfully transitioning to replacement reference 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 rates do not attract sufficient market-wide acceptance or if contracts cannot seamlessly transition to new rates. A bank's risk exposure from Libor cessation depends on the bank's specific circumstances. Many community banks may not offer products or services that use Libor. However, community banks could have Libor exposure in positions such as Federal Home Loan Bank (FHLB) borrowings, mortgage-backed securities, or bonds in the banks' investment portfolios.

¹ <https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2021/USD-LIBOR-transition-progress-report-mar-21.pdf>.

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

The ubiquity of Libor, present in over \$200 trillion notional contracts, makes moving off the rate incredibly complicated. Many existing contracts do not include sufficient provisions if Libor becomes unavailable (known as fallback provisions). Without adequate preparation, Libor cessation could cause market disruption and present risks to banks and their customers. In addition, fallback provision language does not sufficiently account for a permanent cessation of Libor. The Federal banking agencies published a statement communicating that banks should discontinue entering into contracts that use USD Libor as a reference rate as soon as practicable and in any event by the end of 2021 (with a few exceptions for orderly market support).²

Given that banks should not be creating new Libor exposure, the prevalence of Libor, and the remaining work to be done within the timeframe described above, the OCC has made this self-assessment tool available to banks, due to the immediate need and the brief duration of use, to help banks prepare for Libor-related risk.

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

2. *Use of the information:*

Banks may use this self-assessment to determine whether they have 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.

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:*

² <https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-104.html#ft1>.

Not applicable.

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:

The OCC issued a notice concerning the collection for 60 days of comment on October 22, 2021, 86 FR 58723. No comments were received.

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.

$8,768 \times \$114.17 = \$ 1,001,042.56$

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.

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.